WORKSHOP AND TRAINING ON BUSINESS MODELS AND REGULATORY IMPLICATIONS FOR ALTERNATIVE NETWORK INFRASTRUCTURE PROVISION IN WEST AFRICA

Cotonou 26-27 June 2008.

FINAL REPORT

Cotonou, June 2008

1. Introduction

On the 26th and 27th June 2008, a Workshop and Training session was organised by the ECOWAS Commission, the West African Power Pool and the World Bank on the Business Models and Regulatory Implications for Alternative Telecommunication Network Infrastructure Provision in West Africa.

2. Workshop Objective

The objective of the Workshop and Training session was to assess policy and regulatory decisions and levers required to operate and manage excess fibre of the West African Power Transmission Network for communications purposes. In addition, it will investigate and propose relevant business models, different commercial and legal structures for this new business opportunity ["WAPP Broadband business opportunity"].

3. Level of Participation/Representation

The workshop was attended by representatives from the World Bank, ECOWAS, WAPP, Utilities and Telecommunication Regulators in the West African sub-region. Fourteen (14) out of the fifteen (15) countries in ECOWAS attended the meeting. The list of participates is included in the annex of this report.

4. Presentations

After the welcome address by the World Bank, ECOWAS and WAPP, the following presentations were made during the workshop:

- The Workshop overview and structure which focused on the link between communication and economic growth as the major reason to improve communication between West African countries and the rest of the world. It indicated that information infrastructure was a prerequisite for ensuring competitiveness in an increasingly globalized economy. Broad band services in Sub Saharan Africa was too expensive compared to other sections of the world and there was the need to work towards reducing this cost.
- Status of communications infrastructure in the Region: the implementation of Intelcom II and other National and Regional networks including the Identification of the missing communication links;
- Overview of the WAPP Broadband Potential which included the Status of network coverage, potential Excess Capacity that would be available and Business models that could be used to leverage the WAPP excess fibre optic capacity;

- Regulatory Issues for Alternative Network Providers which focused on Licensing Issues with regard to International Best Practices;
- Legal and Market Analysis of the WAPP Opportunity which focused on the following:
    - Business models and regulatory solutions to market entry: The case for transmission networks at the national and international level;
    - Alternative infrastructure providers and demand for national transmission backbones;
    - Demand for international transmission backbone within ECOWAS region;
    - Streams of international voice and data traffic within ECOWAS region;
    - Allocation of capacity between operators on regional transmission networks;
    - How do the legal and regulatory issues affect the WAPP opportunity.
- Overview of Regulatory Framework for ICT Market in ECOWAS which focused on the ECOWAS Supplementary Acts on Model ICT Policy, Licensing, Interconnection, Spectrum Management, Universal Service and Numbering; its Implications for Regional Connectivity and its adoption process and implementation;

5. Case Studies

Presentations were made by Phase 3 of Nigeria, Voltacom of Ghana, and SOGEM on the Manatali System of Senegal, Mauritania and Mali.

6. Summary of Key Issues/Discussions

The summary of the Key Issues which arose during the discussions and question time:

- The linkage between the WAPP fibre optic broadband network opportunity and Intelcom II;
- The implementation timeframe for the WAPP fibre optic broadband network;
- The need to assess the needs of the electric utilities in order to properly evaluate the excess capacity that will be available.
- The need to ensure that the network that will be put in place will be open-access and non-monopolistic.
- The need to ensure that no exclusivity clause is included in the agreements as have always been the case;

- That the individual national regulators should ensure the liberalisation of the international gateways in their countries,

After all the presentations, there were intensive discussions because some of the participants were not familiar with the subject matter. The telecommunication operators were of the view that the electric utilities were taking over their role. The Regulators were of the opinion that they could be given a much greater role to play in the development of Fibre Optic Cable Networks on power transmission systems.

7. Conclusions

After lengthy discussions, the workshop agreed on the following as the conclusions of the deliberations:

- That the opportunity that will be available on completion of the WAPP transmission networks will greatly improve communication in the sub-region.
- The Option 5 **(Hybrid Special Purpose Vehicle Company (H-SPV)** is the preferable option but there is the need to have a detailed analysis of this option. **Option 5: Built by ECOWAS operators but operated and managed by a separate private company. Shareholders of a Hybrid-SPV include electricity companies and other eligible ECOWAS voice operators with international gateway licenses. Network administrator is appointed by SPV to operate and manage the network.**
- That further work will be required to define the modalities for the implementation of the preferred options.

8. Next Steps

After the deliberations, the participants agreed to the following as the required next steps to advance the process:

8.1 Appoint Project Manager/Team

- Ensure collaboration between WAPP and ECOWAS
- Manage stakeholder process (electricity/telecom companies /Ministries/ regulators)
- Determine and manage process by which WAPP members reserve 1 fibre pair for purpose of the project.
- Collaborate with WATRA

8.2 Conduct Detailed Feasibility Study to include:

- Technical details of current and future FO network, including CAPEX and OPEX estimates for transmission network, + comprehensive implementation schedule

- Demand study to estimate future capacity requirements on each portion of the network, what capacity the network should be equipped and how capacity will be allocated between operators using that portion of the network.
- Review of optimal financing and ownership structures taking into account different scenarios for access conditions (and providing recommendations for access conditions by operators)
- Review terms of access to submarine cables

8.3 Appoint Transaction/Legal/Regulatory Advisers to a.o.

- Prepare terms and Invitation to participate to new entity, based on study, and put this to all eligible entities within ECOWAS.
- Work with telecom and electricity regulatory authorities to address relevant regulatory bottlenecks
- Assist ECOWAS Commission in drafting and adoption process of ECOWAS Regulation creating the special legal structure for the HSPV model.
- Facilitate endorsement of ECOWAS and telecommunication ministries in each country to achieve the Act required.
- Depending on model selected, prepare shareholder agreements including obligations and distribution of revenues to shareholders or contract by which each electricity companies grants the right of use of 1 (or 2) fibre pairs for a certain period of time (15, 20 or 25 years).
- Develop Construction and Maintenance Agreement (C&MA)
- Define process and assist WAPP members in competitive process to select Management Contractor.

Cotonou, 27th June 2008