



Association of Licensed Telecommunications Operators of Nigeria

“Over the Top” (OTT) Provision of Telecoms Services in Nigeria

Presentation Delivered at the Bicsi
Conference & Exhibition 2017

By

Engr. Gbenga Adebayo

ALTON Chairman

August 17, 2017



Introduction

The Association of Licensed Telecommunication Operators of Nigeria (ALTON), is an industry body of all licensed telecommunications operators in Nigeria and is duly registered under the laws of the Federal Republic of Nigeria and recognized as an industry representative by the Nigerian Communications Commission (NCC) and other Government Ministries, Departments and Agencies.

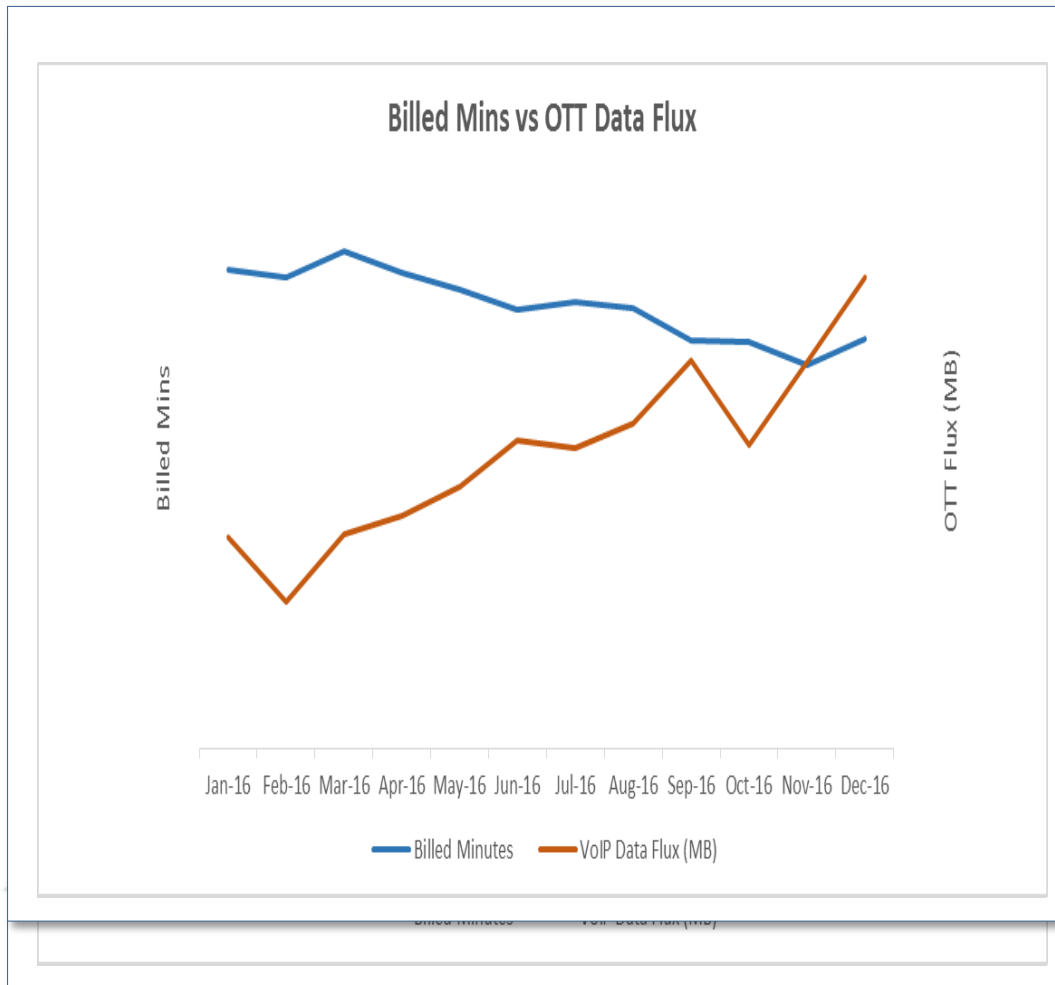
Further to the request of the Bicsi for me to make a Presentation on Over the Top (OTT) provision of telecommunications services in Nigeria and its impacts on the legacy/traditional telecoms operators/operations in Nigeria.

OTT Services in Nigeria

- Over the top service providers utilizes traditional Mobile Network Operator (MNO) infrastructure to offer social networks, voice and instant messaging services to retain users loyalty and drive stickiness.
- The MNO has neither rights nor control over the OTT services, as its customers have the discretion to use the Internet as desired.
- Predominant OTT services in Nigeria include major voice and messaging service applications such as: WhatsApp, WeChat, Skype, Facebook, Viber, Imo, etc.
- Increasing usage of OTT services by customers is adversely impacting on traditional telecoms platforms. According to Ovum, the growing adoption of OTT services by customers instead of traditional telecoms services will occasion global revenue loss of \$386bn over a period of six years (2012 – 2018), thus endangering network development.

OTT Services in Nigeria – Displacement Effect

Voice Minutes has been declining while VoIP has been increasing



- Data shows that voice minutes has been declining due to impact of OTT.
- OTT Data flux has been increasing as shown with the 2016 data.
- Telcos are loosing money due to this trend.
- Urgent action is required to save Telcos further loss due to activities of OTT players who do not invest in infrastructure.

OTT Services in Nigeria

Telcos Incur the Costs, OTT Players Make the Money...

- Telcos invest a lot on network infrastructure in order to provide basic and innovative services to customers.
- Our core voice and SMS revenues are decreasing continuously due to impact of OTT players who offer voice, video and messaging services.
- Telecom operators will continue to invest a lot to make our networks support the data tsunami, with the required quality of service and numerous innovative services.
- On the top of our infrastructures and customers we strive to keep with huge investments, the OTTs are offering contents & applications, using huge amount of Telcos bandwidth, collecting revenues but paying nothing to the Telco operators and to the government.
- The increasing adoption of OTT applications by our customers negatively impacts incoming international traffic as well as SMS at huge cost implications to Telcos but revenue to OTT.
- OTTs also hold much customers' personal data they can use for any desired purpose without risk of being sanctioned by the government while Telcos are not permitted to use or disclose subscriber information to third party.
- OTTs offer the same services as the operators (voice, SMS, content, etc.), but are neither subject to licensing under the NCA nor have any contractual obligation with telecommunication operators in terms of interconnection.

Contribution to the Nation

Comparative Analysis: MNO Vs OTT

MNOs

- Strong presence in the country
- Attracted over USD38bn FDI in the past 10 years.
- Catalyst for telecoms infrastructural development in the country.
- Preferred employer of labour creating over 20,000 job opportunities.
- Pay over NGN200bn to the coffers of the Government in taxes and levies annually.

OTT







- No traceable address in the country.
- Makes little or no contribution to the nation's economy either in employment generation, payment of taxes, etc..

Relevant Regulatory Prescriptions

- S.31(1) of the Nigerian Communications Act, 2003 (NCA) states that no individual or corporate is authorized to provide telecommunications services in the country without obtaining a prior authorization or exemption from the Commission.
- OTT Service Providers are currently providing voice and instant messaging services throughout the country without satisfying this requirement.
- This means that they are also not covered by obligations such as
 - Annual Operating Levies,
 - Emergency Service Provisioning,
 - DND and other consumer-protection measures,
 - taxation,
 - subscriber registration/identification,
 - lawful interception,
 - Mandatory consumer codes,
 - etc.

Towards International Best Practice...

Examples of regulatory approach & treatment of OTT issue in other countries

Country		Approach	Implications OTT
China		VoIP is considered a basic service, reserved for duly licensed operators	OTTS usually blocked if they are not allowed by the regulator.
France		Ongoing investigation - OTT (Skype in this case) could be classified as an operator, in which case it would be subject to the same rules as the other operators.	Symmetric regulation for OTTS that offer VoIP.
South Korea		Internet connection is neutral but with flexibility.	Operators can set a price for services dedicated to premium users of OTT (premium payable by the customer).
United Kingdom		The differentiation of service and traffic is accepted.	Shapping is accepted if there is no partnership with OTT.
Germany		All VoIP providers are subject to the same rules.	Symmetric regulation to OTTS that offer VoIP.
UAE		The VoIP service offering is subject to license	OTT services are blocked in the United Arab Emirates

National Security Impacts

- OTT services are encrypted and incompatible with lawful interception platforms. This provides a shield for potential criminals and other nefarious activities since MNOs do not have feasibility on these platforms.
- Law enforcement agencies cannot also obtain with pre-requisite records for the investigation of crimes committed through OTT platforms, or for the investigation of crime.

Recommendations (1)

- In accordance with international trends, institute “*same service, same licensing*” regime to avoid distortion in the digital landscape.
- Support models intended to engender revenue-share arrangements on advertisement-based OTT content. This co-operative model is being developed by operators and may necessitate special data bundles.
- Support innovative solutions by operators to minimize impact of disruptive platforms in the best interests of consumers and industry sustain...

Recommendations (2)

- Security issues need to be addressed:
 - because of LI reasons – OTT players will not open up their services for LI, and that poses a huge security risk. There is needs to consider regulation regarding LI compliance for OTT services.
- Sustainability Issues also need attention:
 - Operators should reserve the right to charge for OTT calls based on criteria available to the operators, such as:
 - OTT calls terminating to offshore IP addresses;
 - OTT calls based on call count or duration per call; possibly apply limits to call duration or call count for basic unregulated OTT calling.
 - OTT calls based on time of day.
- OTT Video (P2P) is subject to the above.
- OTT video content streaming may not need to be regulated, operators can decide to apply QoS parameters to the specific service, and manage QoS as applicable for their subscribers. Also operators can decide to prioritize or de-prioritize OTT traffic on their networks for

Recommendations (3)

- Introduction of data price floor to ensure that Telcos price data profitably irrespective of activities carried out by data customers.
- Get OTT players to enter into agreement with Telcos for revenue share or payment of a kind of interconnect fee to Telcos.

Conclusion

- ALTON is committed to the continued growth and development of the Nigerian Telecommunications Industry and respectfully requests that in order to save the legacy telecoms operators, measures must be put in place which will avoid distortion in the digital space in order to ensure unimpeded development of telecommunications infrastructure in the country.
- Collaborative action to ensure National Security is not compromised is critical, so that the success recorded in the North East is retained and improved upon in other parts of the Nation.

Thank you

Engr. Gbenga Adebayo

ALTON Chairman