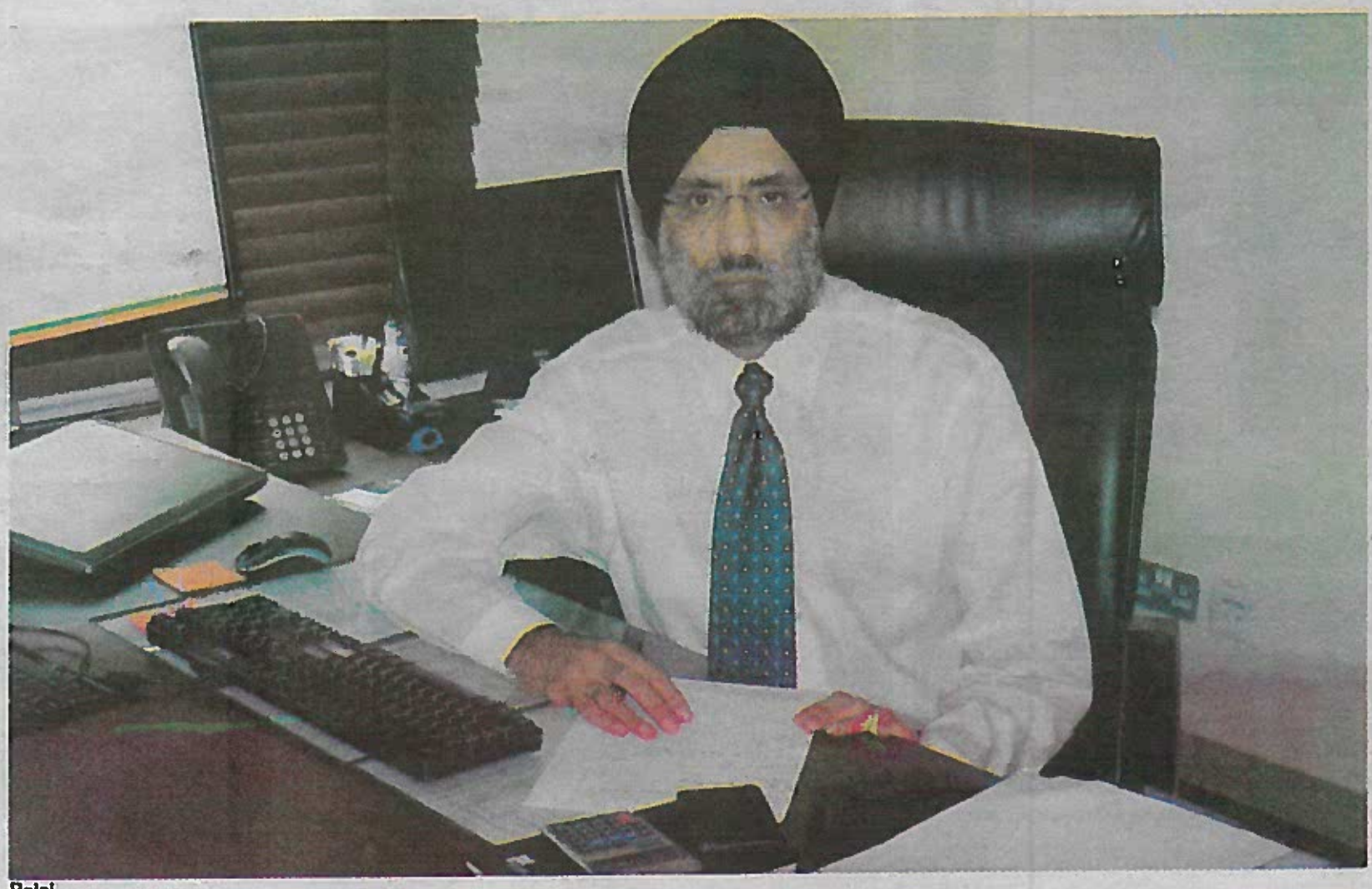
Bajaj: Telecoms Service Quality Must be Addressed through Collective Responsibility

The Chief Executive Officer of Helios Towers Nigeria and Director of Helios Towers Africa, Mr. Inder Bajaj, spoke with **Emma Okonji** on the need for collective responsibility among telecoms stakeholders in addressing poor service quality across networks. Excerpts:



Bajaj

How will you describe the growth of the telecoms industry and what is the role of tower infrastructure in the sector?

Nigeria has emerged as Africa's largest market with over 159 million mobile subscribers. In revenue terms also, it has now overtaken South Africa with $11 billion revenue. With mobile penetration of over 75 per cent, it continues to grow in high single digits resulting in a growth of 1-1.5 million subscriber's monthly as well as increased usage by subscribers of both voice and data.

Nigeria, being the largest market and yet growing, makes it the most attractive market in Africa currently. I would categorize the growth in the last 10-12 years as the telecoms revolution.

The impact on the consumer market, business sector and the Nigerian economy has been remarkable but at the same time the journey ahead needs to be planned to realize its full potential.

As far as the tower infrastructure industry is concerned, Nigeria has over 25,000 towers of which 1,300 are owned by Helios Towers. New towers are being deployed at a rate of 2, 000 to 3, 000 per year. The 2G & 3G Base Transceiver Stations (BTS) are growing at 4, 000 to 5, 000 per year, of which about half are 2G equipment.

Operators are investing heavily in their voice networks and data networks (3G), benefiting high levels of investment in the range of $ 3 billion per annum in the industry. From a tower perspective, the growth in tower numbers is for the coverage expansion and also the need for density, in order to deal with the capacity demands of the large customer base, and increased content and usage.

Telecom operators are increasingly relying on infrastructure sharing to reduce costs and drive efficiency. Colocation is clearly the preferred option, particularly with a tower infrastructure company available. Operators have also commenced sharing among themselves. Nigeria possesses significant growth potential in subscribers and capacity consumed per each subscriber. Spectrum, being a finite commodity, will lead to growth in towers in urban areas, with additional towers required, for, extending coverage.

Can you give us Helios Towers Nigeria's experience in the building of telecoms towers?

Helios Towers Nigeria started as a Greenfield operator in 2005 and has become the largest independent tower company in Nigeria with over 1,300 towers. It built over 500 new towers in 2012 and 2013 alone. Helios services over 10 per cent of base stations deployed in Nigeria with a collocation ratio of 2.9, one of the highest colocation ratio in the world. With a well balanced portfolio of over 1,300 towers in urban and suburban areas and presence in 34 states including Abuja, Helios Towers certainly has sufficient capacity to further handle the growing demand in the Nigerian market

Who are the beneficiaries of Helios Towers telecoms infrastructure?

Helios Towers Nigeria (HTN) services major telecoms and other wireless services providers including MTN, Airtel, EMTS and over 15 wireless broadband operators. HTN captured 15 per cent new business share in 2013, with a record of 600 new base stations of telecom operators deployed on HTN towers. Helios Towers through its sister company Helios Towers Africa is present in Ghana, Tanzania, and DRC and plans to further expand in other key markets of Africa. HTN understands the local challenges of site build and maintenance, particularly power and has a benchmarked service uptime of 99.97 per cent.

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How does collocation reduce costs or impact on service quality?

The collocation of tenants eliminates the duplication of capital intensive infrastructure (about $150,000 per site) by offering an "asset lite" model. Not only does this reduce the number of telecoms towers clustering up the skyline, but it also allows operators to invest their money in other areas, like new technologies.

Our business model also shares the ongoing fixed costs, which include costs for security, engine services, spares and maintenance, as well as regulatory and government levies, among all our tenant customers, thereby reducing their costs on an individual basis. Importantly, the operating cost advantage also extends to power, as customers can share generators. This reduces the use of fuel and emissions.

All in all, Helios Towers Nigeria can achieve a 50 per cent saving in capital and maintenance costs compared to the operators putting up a tower site for just for themselves. We are therefore able to pass on these benefits to our customers in our pricing, which in turn they can pass on to everyone as reduced tariffs to their customers.

The model of colocation and Independent Tower Companies removes proliferation of masts dotting across skylines, and would also improve service quality, as infrastructure maintenance would be better managed by companies like ours which have expertise and focus on that activity. Network congestion in urban areas will reduce because it is cheaper for mobile operators to rollout more services on already built and installed base stations, than building their own, which might not be cost-effective for each operator to build and maintain.

What are some of the challenges faced by the telecoms companies, including infrastructure companies?

While Nigeria represents a large and fast growing market, there are many challenges faced by the industry which needs to be addressed by all stakeholders going forward to ensure the industry performs at full potential.

The first and foremost challenge is the high operational costs in the Nigerian environment due to poor availability of power. In the 25,000 towers in the country only 25-35 per cent are connected to the national power grid and where this connection exists, power supply is only for an average of 4-5 hours per day. In other words 65 per cent – 75 per cent of tower sites run only on diesel powered generators.

Across all towers an average of only 2 hours of power is available from the national grid per day. Poor grid availability makes investments in transformers and grid connection non economical. The cost of generating power from generators is 5-6 times more expensive than cost of grid power. This results in telecommunications costs in Nigeria being 3 times the costs of other markets in Africa.

Power costs therefore has an adverse impact on telecom cots in Nigeria. In comparison with India which has similar GDP per capita, average cost per minute for a Nigerian consumer to make/receive a call is seven cents per minute compared to one cent a minute in India.

The other adverse impact it has, is on service quality, with the many challenges faced in sourcing good quality diesel and to deliver diesel to sites in a timely manner. To provide a high level of uptime of 99.97 per cent, HTN has adopted a strategy of two generators at each site along with large capacity diesel tanks. This is

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not cost efficient but would need to be done in the interim till grid power availability substantially improves.

The other key challenges include multiple regulations on the same infrastructure, multiple taxation fees and levies, prohibitive charges to procure right of way, vandalisation and security challenges. The multiple taxation has taken a more pernicious turn over the past few years.

The Ministry of Communications, Nigerian Communications Commission (NCC), industry bodies like the Association of Licensed Telecoms Operators of Nigeria (ALTON) have been taking many positive steps to address these challenges and find solutions to these barriers which would need to be dealt with by all stakeholders with urgency.

In spite of the steps taken by the government and NCC to address poor service quality, subscribers still suffer poor service. Why is it so?

The sector has made tremendous progress in the last 10-12 years. Customers rightly expect high quality. Some basic things need to be addressed and addressing them is a joint responsibility of the industry players and the government.

The lack of access to power in general, results in higher investments in alternate source of power like; generator sets, Hybrid solution, Solar and also the Eco system costs go up resulting in higher capital spends and again less money available for more infrastructure. For example the cost of deploying a tower which is approx. $150, 000 in Nigeria is 2 times that of deploying in India. Also, relying on diesel as a source of power has its own challenges and hence impacts adversely on the quality of service.

Again the transmission networks deployment which is critical to service quality, needs to speed up. Whereas the industry players are rolling out microwave and fiber, it would require support from the federal and state governments to address the obstacles of multiple regulation, and permit procurement.

The capacity requirement is very dynamic in telecoms as this is the basis for growth in usage. Therefore for specific areas, operators would need to enhance the Radio Network, Passive Infrastructure and Transmission equipment on an ongoing basis.

How can service quality be improved upon?

While the sector has grown fast, the Industry would require a supportive structure in the next phase.

With regard to power, the investment and privatization taking place in power generation, transmission and distribution of grid power, is a step in the right direction and should speed up as much as possible. Substantial improvement would however take time. The Industry players including telecoms operators and us, are investing a lot funds in deploying alternate energy sources like Hybrid Batteries, LPG Generators and Solar to mitigate the high cost of power using diesel generators till grid power availability improves.

On transmission network which is critical, sharing of fiber network among industry players is a good initiative. Addressing the obstacles of multiple regulation and prohibitive costs would help. The NCC has also outlined a number of programmes under the broadband infrastructure framework and is working on licensing of infrastructure providers for an open access model.

The capacity enhancement would need to be addressed by the operators. Spectrum availability is inversely proportional to infrastructure requirement. The availability and allocation of adequate spectrum to support mobile data growth in 700 MHz and 2.5 GHz band would have a direct positive impact.

Lastly, we must acknowledge the huge progress made by the ICT sector and the positive impact it has had on the economy and well-being of the citizenry. The ICT sector is the fastest growing sector of the Nigerian economy contributing over 8 per cent to the country's GDP. Also studies show that increase in internet, broadband or mobile penetration by 10 per cent, increased GDP per capita by 1-2 per cent.

ALTON has appropriately recommended the designation of telecommunications networks infrastructure as

critical national infrastructure which has been done in several countries which lends legal, and institutional protection and brought in some form of standardization and uniformity in the sector.

What do you think are the prospects of a tier-1 operator selling its towers in Nigeria? Would Helios Towers Nigeria be interested to bid to acquire a substantial portfolio of assets if one were to come to market in Nigeria?

Independent tower companies for passive infrastructure management have emerged as an opportunity in a big way in Nigeria like in other parts of the world. The rationale being reduced capital expenditure (CAPEX), outsourcing to dedicated specialist companies, time to market, always reduce cost of operations, and improve efficiency.

1ST PENSION FUND ADMINISTRATION SUMMIT FOR EDUCATION MINISTRIES, AGENCIES AND INSTITUTIONS

24th to 28th March, 2014 Lagos Airport Hotel, Ikeja

To build capacity of principal officers of Education Ministries, Agencies and Institutions on comprehensive body of up to date knowledge on global best practices in Pension Fund Administration with special reference to compliance with Pension Reform Act 2004.

To brainstorm on strategic action plans for deployment of Retirement Savings Accounts as staff motivational tool for promotion of ethics, integrity, best practices, loyalty and productivity in educational institutions.

BACKGROUND

Various reports allude to inappropriate, non-implementation or incompetent implementation of the Pension Reform Act 2004 and Retirement Savings Accounts in educational establishments. Over 200 education stakeholders that attended the Exam Ethics Marshals International conference held in University of Calabar in December 2013 in response to high impact enlightenment presentation by Premium Pensions Limited unanimously resolved that a special Pension Fund Administration Summit be organized for educational ministries, agencies and institutions.

PARTICIPANTS

Principal officers of educational ministries, agencies and institutions in policy formation and implementation chain of command for pension fund administration including Commissioners, Permanent Secretaries, Directors, Executive Secretaries, CEOs of Institutions, Registrars, Bursars, Auditors, Accountants and Pension Fund Desk Officers. Any school with more than five employees is required by Pension Reform Act 2004 to mandatorily implement staff Retirement Savings Accounts.

INAUGURATION

Successful participation qualifies non-Marshals for inauguration as Exam Ethics Marshals (EEMs) as the summit incorporates Exam Ethics Marshals Training and Induction Modules. EEMs are education stakeholders committed to code of ethical self-regulation and discipline in their duty posts and to unweavering insistence on best practices in their spheres of operational influence and leadership. Envision the revolution that will be unleashed if every staff in every education ministry, agency and institution commits to code of ethical self-regulation and best practices. Education will perform its role of delivering appropriate values, skills, abilities, competence, character and learning. Society will be transformed by human resource assets with character to shun corruption and competence to deliver high performance.

FEE

N75,000 per delegate to cover conference literature, materials, lunch, coffee break, payable to Exam Ethics Marshals Intl. Account No: 1012832427. at Zenith Bank.

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