



REQUEST FOR EXPRESSION OF INTEREST (EOI)
CONSULTING SERVICES FOR THE DEVELOPMENT OF COST MODELS AND
PRICING FRAMEWORK FOR WHOLESALE AND RETAIL
TELECOMMUNICATIONS SERVICES AND PRODUCTS IN SIERRA LEONE

Employer:	National Telecommunications Commission (NATCOM)
Name of Assignment:	Development of cost models and pricing framework for wholesale and retail telecommunications services and products in Sierra Leone
Procurement Number:	NATCOM/ DRA/EOI/CMP/2020/001
Country:	Sierra Leone
Language:	English
Date of Issue:	1 st July 2020

1. Background

The National Telecommunications Commission (NATCOM) was established from the enactment of the Telecommunications Act 2006 (as amended), to license and regulate telecommunications operators and promote universal access to basic telecommunications services. Its mandate also includes the promotion of fair competition among operators for the benefit of end-users of telecommunications services and products.

One of the key tenets of open and fair competition in the telecommunications sector is an effective interconnection regime, avoidance of predatory pricing, price squeeze, excessive pricing practices and price dumping, among others. NATCOM has the legal responsibility to intervene when operators fail to reach an agreement or when such agreements do not promote fair competition or serve the best interest of consumers. The general guiding principle for Regulators in mitigating ineffective competition for telecommunications services is to ensure that prices in the market are cost-oriented.

Since the establishment of NATCOM in 2006, no study has been conducted to set tariffs for interconnection and other telecommunications services. Typically, the prescription of tariffs for telecommunications services and products has not been scientific in nature; rather this is

achieved through negotiations, which are normally based on subjectivity. Furthermore, after the liberalization of the International Gateway, the restrictions on the monopolistic power of the incumbent eroded but this ushered in an essential facility following the landing of the only Submarine fiber optic cable in February 2012, creating a monopoly in providing connection to international destinations.

Therefore, NATCOM is seeking to hire a consulting firm to carry out a study to set out a proposal for interconnection rates for both mobile and fixed line services and products, as well as formulate a pricing mechanism for other telecommunications services and products including mobile and broadband Internet services, SMS and mobile money transactions, for a period of five (5) years (2020-2025). The study should also focus on capacity tariffs levied by the sole wholesale provider of international bandwidth for voice and broadband services and products to ensure that the rates are efficiently priced.

The study should take into account the provisions of the applicable laws, which details the categories of operators entitled to get licenses and consider new business models and services including Mobile Virtual Network Operators (MVNOs), extended networks, international roaming, active infrastructure sharing, and wholesale services.

2. Objective of the Assignment

The overall objective of the assignment shall be to develop proposals for future glide path tariff regimes to enhance competition among telecommunications operators in Sierra Leone, based on a costing model for telecommunications services and products and benchmarking study of different tariffs among similar economies and countries in Africa.

The specific objectives of the assignment include but not limited to:

- i. analyze the existing market for telecommunications services and the pricing structure of all services and products in Sierra Leone, and recommend an appropriate and applicable pricing methodology;
- ii. develop an Optimal Cost of Capital Methodology Framework for the telecommunications industry in Sierra Leone;
- iii. develop costing principles that could be applied to set the tariffs and other charges including price caps, price floors, tariff guidelines and other price controls for different classes and categories of services and products;
- iv. develop a cost model and pricing framework for NATCOM for the various regulated services;
- v. conduct a benchmarking study of interconnect and other tariff regimes elsewhere in Africa, particularly in the ECOWAS sub-region, and other countries comparable to Sierra Leone;
- vi. consistent with the findings from the market analysis and the benchmarking study, develop a costing model for NATCOM and make proposals for Mobile Termination Rate (MTR) and other tariffs (glide path) for five (5) years for mobile and fixed line services, mobile and broadband Internet services as well as SMS and mobile money transactions; and
- vii. train and transfer skills to NATCOM staff on the cost modelling and pricing frameworks.

3. Scope and Duration of the Assignment

In the pursuit of accomplishing the assignment, the Consultant is expected to be available to participate in discussions or presentations on the assignment with the Commission and other stakeholders when necessary. The Consultant shall visit Sierra Leone at least twice during the duration of the assignment. The consulting firm is expected to complete the assignment in **100 man-days** after the commencement of the Contract. The assignment shall commence seven (7) calendar days after the Contract is signed.

The scope of the assignment, in line with the overall and specific objectives, will cover in details, among other things, the following:

- i. review the existing market conditions of telecommunications services in Sierra Leone, particularly those that are relevant for the assignment;
- ii. assess and calculate the Weighted Average Cost of Capital (WACC) for the telecommunications sector. The WACC is considered as one of the determining parameters used for calculating charges that permit a reasonable rate of return to investors;
- iii. employ a methodology to evaluate tariffs and produce feedback on the estimation of the WACC for the telecommunications sector;
- iv. carry out a detailed literature review on different costing interconnection models and their methodologies, and recommend a suitable model for Sierra Leone;
- v. develop cost models appropriate for Sierra Leone including at least the following parameters:
 - calculation of network capacity requirements
 - network design parameters
 - network dimension scheme and coverage
 - direct licenses and regulatory fees
 - depreciation period of equipment
 - network cost estimates including historic capital costs, current capital and operating costs, operations and maintenance costs, depreciation costs, etc.
 - non-network cost estimate including research and development, future planning and development
 - cost break down for individual services as defined in the methodology document
- vi. the cost models that will be developed should be user friendly to allow for sensitivity analysis so that NATCOM can examine the impact of changes within a reasonable range for the under-mentioned parameters:
 - demand forecasts
 - market share assumptions

- equipment prices
 - network quality of service
 - WACC values
 - useful asset lives
 - update and extension of the model
- vii. conduct a benchmarking study of average and best practice interconnect and other chargeable tariffs elsewhere in Africa, with special focus on the ECOWAS countries and other similar economies, while taking note of other regulatory rulings concerning glide paths;
 - viii. evaluate current tariffs for wholesale services charged by the sole fiber optic cable essential facility (submarine and terrestrial fiber optic cables) to other market players;
 - ix. evaluate the linkages between wholesale interconnect tariffs and retail prices, and assess the extent to which past interconnect tariff reductions have been passed on to consumers;
 - x. use the cost model and benchmarking study to estimate the cost of providing interconnection services for mobile and fixed line services, mobile and broadband Internet services, SMS and mobile money transactions in Sierra Leone;
 - xi. analyze the results of cost models and benchmarking to make appropriate recommendations on the level and structure of interconnect and other tariffs as well surcharges for consideration by the Commission;
 - xii. organize stakeholder’s consultation workshop in collaboration with the Ministry of Information and Communications, NATCOM and Service Providers to present and validate the findings and recommendations for further development and implementation of the cost models for the telecommunications market;
 - xiii. produce a user guide/manual for the cost model files developed, setting out a step by step guide to these files, including an overview of the main model flows, where to locate any input data and modelling results, and how to undertake the sensitivity analysis. For knowledge transfer, the consulting firm should propose the training plan to be conducted in Sierra Leone; and
 - xiv. prepare and present the final report of the study containing a summary of the entire assignment, results and recommendations including a package of all data, materials and documents produced.

4. Shortlisting Criteria

The shortlisting criteria to conduct the assignment will be line the National Pubic Procurement Authority (NPPA) guidelines and procedures for selecting consultant and or professional service firms, which include the following:

- i. Key experts must possess a minimum of minimum of Master’s degree in Electrical and Electronic Engineering, Telecommunications Engineering, Information and Communications Technology (ICT), Regulatory Administration Economics or Finance from a recognized institution;

- ii. Experience in the telecommunications industry for not less than 10 years working in similar projects
- iii. Demonstrable forecasting skills and benchmarking in socio-economic and technologies, economics and finance as well as aptitude to create trend analysis
- iv. Experience in evaluating telecommunications investments in Africa;
- v. Previous experience in at least three (3) similar assignments over the last five (5) years
- vi. Ability to transfer knowledge and capacity building of key NATCOM staff.

5. Procurement Method

The procurement method for the selection of the successful consulting firm shall be Quality and Cost Based Selection (QCBS). The eligibility criteria for shortlisting and selection procedure shall be in accordance with the policy, regulations and law of the National Public Procurement Authority of Sierra Leone.

6. Reporting and Communication

Interested Consultants may obtain further information at the address below during working hours from Monday's to Friday's 10:00am to 4:00pm (Sierra Leone time) or seek further clarifications through the following email addresses: **atarawallie@natcom.gov.sl & info@natcom.gov.sl**

7. Closing Date and Time

Expression of Interest must be delivered in hard copy or submitted by email to the address below Friday 30th July ,2020 at 4:00 pm (Sierra Leone time) and must be specifically marked "Expression of Interest for the development of cost models and pricing framework for wholesale and retail telecommunications services and products in Sierra Leone" . The EoI letter must include valid telephone number and email address.

**Attention: The Procurement Manager
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