

Telecoms

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

Telcos push for first tariffs hike in 11 years.

According to newspaper reports, Telecommunication companies in Nigeria are renewing their push for an increase in prices of calls, data, and other services after multiple failed attempts in the last 11 years. In a communique signed by the Association of Licensed Telecom Operators of Nigeria (ALTON) and the Association of Telecommunication Companies of Nigeria (ATCON), telcos argued that the current prices are insufficient to maintain their business operations. The telecom providers are advocating for cost-reflective tariffs, noting that adverse economic headwinds are threatening their financial viability. The operators noted that regulatory constraints have prevented them from adjusting their pricing framework for over a decade.

The telecommunications industry in Nigeria has been grappling with significant challenges, particularly concerning operational costs exacerbated by factors such as foreign exchange devaluation and scarcity. These challenges have had adverse effects on the profitability of major operators like MTN Nigeria and Airtel. The devaluation of the Naira resulted in substantial financial setbacks for both Airtel and MTN Nigeria. MTN Nigeria specifically posted a significant loss after tax of N137bn for the 2023 financial year. Similarly, Airtel Africa witnessed a considerable decline in Post-tax profit, experiencing a 99.6% decrease to US\$2 million by the end of the nine months ended December 2023, compared to US\$523 million during the same period in 2022. These financial outcomes reflect the broader economic challenges affecting telecommunications companies operating in Nigeria.

The telecommunications operators' hesitance to adjust prices despite rising inflation and other economic challenges can be traced back to regulatory restrictions imposed by the Nigerian Communications Commission (NCC). The NCC holds a crucial role in price regulation within the telecom sector, requiring operators to obtain approval before making any adjustments. This oversight by the NCC ensures that any alterations in prices adhere to established standards and accurately reflect the operational costs borne by operators.

The NCC has announced an ongoing cost-based study to determine whether approving price increases for telecom operators is appropriate. This study seeks to analyze the fundamental costs involved in providing telecom services and assess if adjustments are necessary to maintain industry sustainability. We argue that advocating for an upward tariff review is crucial for telcos, considering the adverse economic challenges they have faced in recent years, leading to increased operational costs. Maintaining current non-cost reflective tariffs will erode profit margins and threaten the long term growth and sustainability of the operators.

MARKET UPDATE

	1 year	29-Dec-23	1 day
NGX - Index*	52,403.51	74,773.77	97,879.94
Naira / US\$	459.97	907.11	1419.11
Brent, US\$/bbl	79.54	77.04	87.31
MPR %	18.00	18.75	24.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index.

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News headlines:

NERC deregulates meters prices May 1: The Nigerian Electricity Regulatory Commission on Monday released an order on the Deregulation of Meter Prices for meters deployed under the Meter Asset Provider Scheme. It said the prices of meters were deregulated after Meter Asset Providers and other operators requested a further review of meter prices in consideration of the significant changes in foreign exchange and inflation rates since the last price review of the prices of meters by NERC in September 2023. It said the significant changes in these macroeconomic variables had constrained the abilities of meter providers to supply meters at the approved regulated price. "The commission has noted the need for the efficient pricing of meters to respond more quickly to changes in macroeconomic parameters, particularly exchange rates. Source: Punchng.com

<https://punchng.com/nerc-deregulates-meters-prices-may-1/>

NUPRC Begins Fresh Oilfields Bid Round, Offers 17 Blocks for Sale: The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) yesterday announced that it had begun processes for the 2024 oil bid round with 12 oil blocks and five deep offshore assets from last year's bid exercise. Also, the commission disclosed yesterday that it had started its 'due diligence' on Renaissance Consortium's planned acquisition of Shell Petroleum Development Company (SDPC) onshore oil assets for \$2.4 billion. The Commission Chief Executive, Gbenga Komolafe, spoke at two separate events in Abuja, at the maiden NEITI House Dialogue in Abuja and at a workshop in Abuja organised to streamline the issues in the proposed divestment of the participating interests held by the SPDC. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2024/04/30/nuprc-begins-fresh-oilfields-bid-round-offers-17-blocks-for-sale>

\$2.4bn forex claims fictitious, says CBN: About \$2.4bn out of the claimed backlog of \$7bn forex claims were fictitious, the Deputy Governor of Corporate Services at the Central Bank of Nigeria, Mohammed Bello, has said. He made this statement during the 2024 Law Week event of the Nigerian Bar Association at Garki Branch in Abuja on Monday. Bello disclosed that, upon assumption of office, there were numerous demands for clearance of outstanding forex obligations. He added that this necessitated a comprehensive audit of the claims received to determine the genuineness or otherwise of the claims. He said, "Following the completion of the audit, we discovered that about \$2.4bn out of the claimed backlog of \$7bn were fictitious. The bank thus took steps to clear the authentic forex backlog that has aided the stabilisation of the naira. Source: Punchng.com

<https://punchng.com/2-4bn-forex-claims-fictitious-says-cbn/>

\$10bn needed yearly for 10 years to revive Nigeria's power sector – Adelabu: Adebayo Adelabu, the minister of power has said that Nigeria would require at least \$10 billion every year for the next 10 years to revive the power sector, a critical aspect to drive the country's economy. Adelabu said this when he appeared before the Senate Committee on Power for an investigative hearing on electricity tariff hike on Monday in Abuja. Adelabu, while describing as shameful the state of Nigeria's "underperforming" power sector with only 4000 Mega Watts generated for decades, pointed out that the government cannot provide the needed funds, hence the need to make the sector attractive to investors and bank lenders.

Source: businessday.ng

<https://businessday.ng/news/article/10-bn-needed-yearly-for-10-years-to-revive-nigerias-power-sector-adelabu/>

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