

**TARIFF HIKES IN TELECOMS:
BALANCING INDUSTRY
SUSTAINABILITY AND
CONSUMER PROTECTION**



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In the face of enduring inflation, astronomical increases in operational costs, naira devaluation, and general economic headwinds in Nigeria, the necessity for an increased tariff in the telecommunications sector has again come to the forefront. The industry regulator, the Nigeria Communications Commission, which not only oversees tariff evaluations and approvals, but also consumer protection has been reluctant to approve an increase, but has continued to engage stakeholders. However, earlier this week, the Minister of Communications, Innovation, and Digital Economy, Dr Bosun Tijani rising from a stakeholder meeting with Mobile Network Operators (MNOs), announced that telecom tariffs would soon see a rise, albeit not by the 100 per cent increase initially proposed by the MNOs.¹

This development draws significantly from the precarious economic climate within which companies in the telecommunications sector operate. In recent times, Nigeria has been grappling with inflation² and high operational costs, resulting in losses for many businesses. Particularly in the telecommunication sector, key players, such as MTN and Airtel and the industry body, the Association of Licensed Telecommunications Operators of Nigeria (ALTON) have severally raised alarm about the sustainability of the industry, if current tariffs

were maintained. The Naira depreciated by approximately 97.1% from January 2023 to December 2023, and by about 69.1% from December 2023 to December 2024. It meant that the cost of servicing dollar-denominated facilities or forex-related expenditures effectively doubled overnight.³ Airtel and MTN Nigeria jointly lost \$484 million in H1 2024 after Nigeria devalued the naira. Compared to 2023, when both telcos lost \$296 million.

The impact of the economic downturn has been extensive, creating a ripple effect that includes a decline in local purchasing power, thereby exacerbating the challenges of the telecommunications sector. The sector which [contributes](#) 13.5% to Nigeria's GDP and also [employs](#) over 15,500 people, is a formidable part of the economy and should not continue to sustain losses.

A review of Nigeria's inflation rates over this period underscores the mounting economic pressures faced by the industry. For instance, in 2010, the inflation rate stood at 13.74%, while by 2023, it had surged to 24.66%, representing a sharp and sustained increase (See table below). These economic conditions became particularly dire in 2024⁴, prompting many telecom operators to declare losses. The disparity between operational costs and stagnant tariffs has strained the sector's sustainability. Examining this historical trend further highlights the urgent need for a tariff review that aligns with current economic realities while safeguarding consumer interests. This comparison will provide a clearer understanding of the economic pressures driving the need for the increase and its potential impact on stakeholders.

¹ This Day Live, *Tariffs Increase Won't Be 100%, Says Minister*, January 8, 2025, <https://www.thisdaylive.com/index.php/2025/01/08/tariffs-increase-wont-be-100-says-minister/> Retrieved 2025-01-10.

² Nigeria [headline inflation rise](#) from 29.9% to 34.6% between January and November 2024

³ African Business, *Naira devaluation sends Nigerian telcos back to square one*, October 29, 2024, <https://african.business/2024/10/technology-information/naira-devaluation-sends-nigerian-telcos-back-to-square-one> Retrieved 2025-01-10.

⁴ Supra Footnote 2



The Nigerian Communications Commission (NCC) is empowered by the Nigerian Communications Act (NCA) to regulate the tariff plans of licensees in the sector, including approving or disapproving any proposed increases or decreases. Specifically, Section 108(1) of the NCA prohibits licensees from imposing any tariff or charges for their services without the prior approval of the NCC. Additionally, Section 111 grants the NCC the authority to impose financial penalties on any licensee that exceeds an approved tariff.

TABLE 1: HISTORICAL DATA SHOWING THE INFLATION RATE SINCE LAST TARIFF WAS APPROVED

Nigeria Inflation Rate⁵		
Year	Inflation Rate (%)	Annual Change
2023	24.66%	5.81%
2022	18.85%	1.89%
2021	16.95%	3.71%
2020	13.25%	1.85%
2019	11.40%	-0.70%
2018	12.10%	-4.41%
2017	16.50%	0.81%
2016	15.70%	6.69%
2015	9.01%	0.96%
2014	8.05%	-0.45%
2013	8.50%	-3.73%
2012	12.22%	1.40%
2011	10.83%	-2.91%
2010	13.74%	1.20%

As a result, licensees are obligated to seek and await the NCC’s approval before implementing any tariff adjustments. Due to these regulatory provisions, Mobile Network Operators (MNOs) and other stakeholders in the industry have continuously lobbied the NCC for approval of tariff increases. However, the commission has been reluctant to grant such approvals for years.

The reluctance to approve a tariff increase for telecom operators in Nigeria often centres around economic, social, and policy considerations. One of the main concerns is the affordability of the services by low-income consumers. For a country trying to increase access, digital inclusion and broadband penetration this is a legitimate concern as a tariff increase may disproportionately impact low-income earners, who are already burdened by economic challenges such as inflation and rising cost of living. An increase in tariffs may have a negative impact on small and medium enterprises (SMEs) that rely on telecom services as they may face higher operational costs, potentially reducing their competitiveness and profitability. From a policy and public interest perspective, telecom services should be affordable, and easily accessible. During periods of high inflation and currency devaluation, public

⁵ Macrotrends, *Nigeria Inflation Rate 1960-2025*, [https://www.macrotrends.net/global-](https://www.macrotrends.net/global-metrics/countries/NGA/kenya/inflation-rate-cpi)

[metrics/countries/NGA/kenya/inflation-rate-cpi.](https://www.macrotrends.net/global-metrics/countries/NGA/kenya/inflation-rate-cpi) www.macrotrends.net. Retrieved 2025-01-10.

interest might justify prioritising consumer welfare.

Approving a tariff increase for telecom operators in Nigeria can however be justified on several grounds. The economic realities are clear and unmistakable. The devaluation of the Naira has significantly increased the cost of importing telecom equipment, software licenses, and infrastructure maintenance, considering that they are mostly priced in foreign currencies. High inflation has raised operational costs, including energy, labour, and logistics, making existing tariffs unsustainable. Energy cost has more than tripled in recent years as the telecom industry is heavily reliant on diesel and electricity to power base stations. With energy prices soaring, operators have incurred substantial cost increases. The sustainability of the industry has become extremely challenging. Sustained losses due to outdated tariffs have discouraged investments in the sector and is leading to service degradation as CAPEX investment dwindles. Many operators rely on loans to finance network expansion and upgrades, and tariff adjustments have become critical to ensure they can service the facilities and meet their financial obligations.

The tariff increase is expected to result in improvement in service quality and infrastructure expansion. Additional revenue from tariff increases can fund network expansion to underserved areas, improving coverage and capacity. Technology upgrades can be undertaken, and operators can fund the adoption of new technologies like 5G, artificial intelligence, Internet of Things which require significant capital expenditure. In addition, increased revenue can help improve service quality by maintaining existing infrastructure and reducing issues like call drops and slow internet speeds.

Many customers have argued that the proposed tariff increases are unjustifiable, given the lack of significant improvement in the quality of services

provided by telecommunications companies (telcos). There remain several critical areas for improvement that the regulator should address before considering any tariff hike. Consumers are seeking smoother data usage, seamless call experiences, excellent customer service, and other enhanced offerings that would justify the proposed increase. Therefore, while the regulator has a responsibility to balance the interests of all stakeholders in the sector, it is equally important to hold licensees to international standards of service delivery. Only by ensuring that telcos provide optimum services can the proposed increase be justified. Otherwise, it risks overburdening end users, who will not receive commensurate value for their hard-earned money.

COST BASED TARIFF

In advocating for tariff increase, operators had recommended that the regulator consider approving a Cost-Based Tariff. A cost-based tariff is a pricing model where the charges for services are determined based on the actual costs incurred by operators in providing those services. This includes expenses such as infrastructure deployment, network maintenance, energy consumption, licensing fees, employee wages, and foreign exchange-dependent costs like equipment imports and software licenses. The goal of a cost-based tariff is to ensure fairness by aligning prices with the underlying economic realities while allowing operators to recover their costs and earn a reasonable profit. Regulators often use this model to promote transparency, sustainability, and efficiency in the telecom sector while protecting consumers from arbitrary or inflated pricing. We believe this is the way to go.

In summary, approving a tariff increase is justified when it ensures the sustainability of the telecom industry, facilitates improved service delivery, and aligns with Nigeria's broader socio-

economic objectives. The decision should, however, be accompanied by measures to protect vulnerable consumers and ensure operators adhere to service quality standards. We believe a cost-based tariff will provide the necessary balance between the sustainability of the telecoms industry and consumer welfare.

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