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# Safaricom halts its 2 low-priced tariffs

**NO MORE FREEBIES:** Safaricom's CEO Bob Collymore. The telecom has terminated the two tariff plans effective today.

BY CONSTANT MUNDA

SAFARICOM'S post-pay customers under two low-priced Karibu tariff plans could see their monthly mobile phone service costs more than triple in exactly a year from today.

The telecom terminated the two bundles – the PostPay 1000 and PostPay 2500 – in a notice yesterday.

It will no longer enrol new customers into the two tariffs effective today, it said, and existing subscribers have another year to enjoy the low-priced services after which they will be discontinued.

"Customers who are currently subscribed to the aforementioned bundles will continue to enjoy them for a further period of one year from the above date (May 26), after which they will have the option of migrating to any of the other available Safaricom tariff offerings," the notice read in part.

Its other post-pay tariffs will remain unchanged, it said.

The notice implies Safaricom has received nod from the industry regulator – the Communications Authority of Kenya – to terminate the tariff bundles.

Chief executive Bob Collymore last week told a local daily that Safaricom had applied to the regulator for permission to terminate the tariffs.

While Safaricom said it has suspended new enrolments into the two "loss-making" bundles starting today, it had technically ceased this at the beginning of this month without prior notice to the public.

A customer care executive at the firm's Sarit Centre outlet confirmed to the Star on May 5 that it had circulated an internal memo instructing its employees not to register subscribers to the bundles anymore. The telecom however failed to respond to queries sent via email seeking to find out why there was no notice to the effect.

Those enrolled into PostPay 1000 could see their monthly costs rise three-fold if one chooses to migrate to the available post-pay tariff for individuals dubbed New Advantage.

Typically, a subscriber under Postpay 1000 gets 900 minutes for on-network calls, 100 minutes off-net talk time, 100 on-net text messages, and 100 megabytes of data at a cost of Sh1,000 monthly.

If one opts to migrate to New Advantage, they will make voice calls at a price of Sh4 per minute for on- and off-net calls during peak-time (Sh2 per minute on-net during off-peak while off-net remains unchanged). An SMS costs Sh1 while data is charged at Sh1.25 per megabyte under the tariff.

Assuming a subscriber sticks to their monthly usage as per the PostPay 1000, they will see their bills jump by about 322.5 per cent to Sh4,225 in peak time (8am to 10pm) consumption once they migrate. This is assuming that the New Advantage tariff will not have been reviewed by May 26, 2015.

Those under PostPay 2500 will see their costs rise from Sh2,500 monthly to Sh10,500 monthly for the same services during peak hours, a 320 per cent increase. PostPay 2500 usually get 2,200 on-net minutes, 300 off-net minutes, 250 on-net SMS and 250MB of data.

The bundles were introduced a couple of years ago to attract more customers and fend off competition from poaching by its rivals who were introducing low-cost propositions.

## Sameer seeks alternatives to costly energy

BY JAMES WAITHAKA

SAMEER Africa is looking at the possibility of tapping into solar energy and coal amid rising energy costs in the country that are impacting on its production costs.

The NSE-listed tyre maker told its shareholders at an AGM on Friday that its energy costs increased by about 16 per cent compared to the previous year, and this still presents a challenge.

"This had a direct impact on our production costs as did erratic furnace oil consumption and which continues to pose challenges," it said in a statement.

Sameer said coal-fired steam generation facility "remains on the drawing board" since payback on solar energy continues to be elusive.

"We will continue to investigate the possibility of introducing a solar energy and coal fired steam generation facility for the factory on Mombasa Road," the company said.

The company more than doubled its net profit for 2013 on the back of a lower tax charge – at half of the previous year's, and increased sales. It posted a net profit of Sh401.19 million compared to Sh188.45 million in 2012, a 112.9 per cent increase.

Sameer paid its shareholders a dividend of Sh0.30 per share. It sold 320,546 units in 2013, up from 277,611 units a year before.

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## ALY KHAN'S STAR PORTFOLIO

## KENYA NEEDS $2BN EUROBOND FOR MORE NET NEW MONEY

KENYA has been planning its first sovereign 10-year dollar-denominated Eurobond since last year and proceeds from this sale had been factored into the 2013/2014 budget.

The urgency around the payments of Sh1.4 billion ($16 million) to Anglo Leasing, which were made after authorisation by President Kenyatta, was surely because the President and his team could see a road crash in the local markets if those markets were called upon to make good the shortfall in the event of a skipped Eurobond.

"The road show will take four or five days, so we could go to the markets this month," Cabinet Secretary for National Treasury Henry Rotich told Bloomberg in Kigali last week.

It's always difficult to unpick cause and effect (and insecurity has been undercutting our asset prices), but you will have noted the shilling closed at a 2.5-years low on May 20 and printed a trade above 88.00 against the dollar last week. However, this time of the year is a period of secular weakness for the shilling as full-year dividends are upstreamed to parent companies.

On balance and subject to security issues staying on the trend line (considerably elevated in 2014), then the shilling should improve from here.

The FTSE NSE 25 Index, which had been on a hot streak in April, posted its worse losing streak in 2014 through last week. You do not have to be a rocket scientist to work out that the blowback on Kenyan assets from a Eurobond miss at this time would have been severe.

Whilst I admire the bravura calls about how we are going to ship in one million Chinese tourists, I can assure that if the asset markets which are hard-nosed were treated to that kind of baloney, the shilling would be going the way of the Ghana cedi, where policy makers have been peddling a narrative no one believes in and each time the narrative gets peddled, the cedi sinks further.

With regard to policy-making and policy utterances, I think selling the Eurobond will have an enormously beneficial impact. We often cite 'sovereignty' as a catch-all phrase and it is worth pointing out that we are ceding a great deal of sovereignty by selling this Eurobond. Essentially, international investors and our bondholders will now have the capacity to price our credit on a real time basis. The cause and effect will be seen on a continuous real time basis. I believe this will over time kick some of the more 'outlier' behaviour into touch.

The issue size of our Eurobond will be not less than $1.5 billion (Sh131.79 billion) and I would err towards trying to sell as much as $2 billion (Sh175.72 billion) worth of Eurobond. The redemption of a syndicated loan of $600 million was kicked three months down the road but evidently, Eurobond proceeds will have to deduct $600 million. A $1.5 billion issue will mean $0.9 billion of net new money. I incline to the view that we need a $2 billion issue – $1.4 billion of net new money.

In the event we unload $2 billion of bonds, then I too can foresee the scenario PS Kamau Thugge outlined to the Business Daily: "When the Eurobond goes through, hard currency worth billions of shillings will have a strengthening impact on the shilling and pull down interest rates. That is the kind of scenario our next fiscal year is based on."

Let me finish by trying to answer the $64,000-question, which is what price are we going to have pay for this money? In order to answer this, we have to take a look at other sub-Saharan Africa issuers and those bonds which have a proximate maturity to our proposed issue.

I surmise that the Kenya will be satisfied if it can sell at a yield of 6.5 per cent in the event of a small issue size and closer to seven per cent if it goes for a super-sized issue of $2 billion.

**Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.**