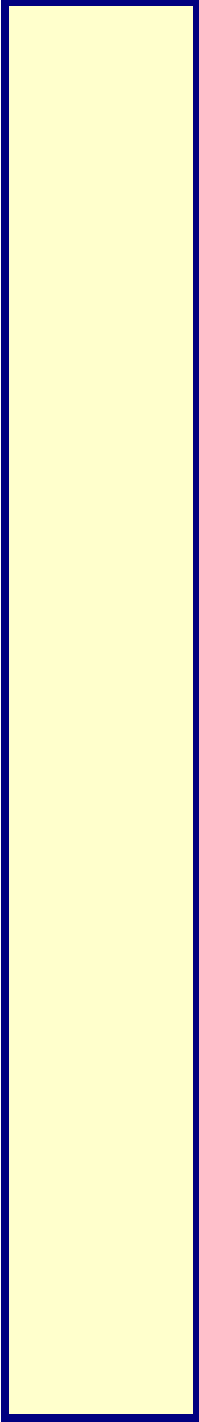


# Table of Contents

	<b>Foreword</b>
	<b>Salient Activities of the Year</b>
<b>1</b>	<b>Telecom Sector at a Glance.....</b>
	Overview
	Deregulation of the Telecom in Pakistan
	♦ <i>Cellular Mobile</i>
	♦ <i>Fixed Line</i>
	♦ <i>Other Licenses</i>
	FAB under PTA Control
	South Asian Telecommunication Regulators' Council (SATRC)
	meeting
	Steps for Consumer's Interest
	♦ <i>Activation Tax</i>
	♦ <i>Reduction in Tariffs</i>
	♦ <i>Quality of Service</i>
	♦ <i>Action Against Over Charging</i>
	Incentives to Operators
	♦ <i>Card Payphone</i>
	♦ <i>Cellular Mobile</i>
	♦ <i>Other Services</i>
	Growth of Telecom Sector
	♦ <i>Mobile Sector</i>
	♦ <i>Fixed Line Sector</i>
	♦ <i>Card Payphones</i>
	♦ <i>Broad Band</i>
	Impact of Deregulation on Economy
	♦ <i>Foreign Direct Investment</i>
	♦ <i>Employment</i>
	♦ <i>Revenues</i>
<b>2</b>	<b>Liberalization of Telecom</b>
	Introduction
	Cellular Mobile Sector
	♦ <i>Media Campaign</i>
	♦ <i>Expression of Interest</i>
	♦ <i>Investors' Conference</i>
	♦ <i>Pre-qualification</i>
	♦ <i>Bidding</i>
	♦ <i>Award of the Licenses</i>
	Fixed Line Sector
	♦ <i>Consultation Process</i>
	♦ <i>Investors Conferences</i>
	♦ <i>Media Campaign</i>
	♦ <i>Information Memorandum</i>
	♦ <i>Response from Fixed Line Operators</i>
	♦ <i>Public Hearing</i>
	♦ <i>Award of LL &amp; LDI Licenses</i>
	♦ <i>Auction for WLL Spectrum</i>



**3 Finance & Tariff**

- ✦ Tariff Issues
  - ◆ *Fixed-Line Tariff Regulations*
  - ◆ *PTCL Tariff Proposal 2003-04*
  - ◆ *Card Payphone Tariff*
  - ◆ *Audiotex (Premium Rate) Service Tariff*
  - ◆ *Special Pulse of 16KHz on Payphone to Local Mobile Calls*
  - ◆ *PTCL Reference Interconnect Offer (RIO)*
  - ◆ *Interconnect Agreement between PTCL & Card Payphone Operators*
  - ◆ *Co-location Charges*
  - ◆ *Direct Interconnect Agreement among Cellular Mobile Operators*
- ✦ Financial Issues
  - ◆ *Receivable Management*
  - ◆ *Annual Accounts Audited*
  - ◆ *Improvement in Internal Control*

**4 Licensing**

- ✦ Value Added and Fixed Line
- ✦ Radio Based
- ✦ Directives and Amendments
  - ◆ *Amendments of the existing value added service licenses*
  - ◆ *Review of the existing Regulation of Value Added services licensing*
  - ◆ *VoIP Agreement with PTCL*
  - ◆ *Video Conferencing Services*
  - ◆ *Provision of DSL Services by ISPs*
  - ◆ *GMPCS Modified License*
  - ◆ *Amateur Radio Services Regulations – 2003*
  - ◆ *Incentive to Small ISPs*
  - ◆ *Provision of Audiotex Service and Interconnection Through all License Operators*
  - ◆ *Provision of Fixed Short Messaging Services*
  - ◆ *Revision of Annual License Fee for Value Added Services*

**5 Consumers' Interest**

- ✦ Investigation
  - ◆ *Surveys/Inspections*
- ✦ Frequency Monitoring
- ✦ Use of Cellular Mobile Phones As PCO

**6 Interaction with International Telecom Organizations**

- ✦ Introduction
- ✦ South Asian Telecommunication Regulators' Council
  - ◆ *Members of SATRC*
  - ◆ *SATRC Meetings*
  - ◆ *6<sup>th</sup> SATRC Meeting main issues of focus*
  - ◆ *Recommendations*
- ✦ International Telecommunication Union
- ✦ Asia-Pacific Telecommunity
- ✦ South Asia Forum for Infrastructure Regulation (SAFIR)
- ✦ Common Wealth Telecommunication Organization

## 7 Law and Regulation

- ✱ Regulations
- ✱ Litigation and Adjudication
  - ◆ Hearing & Determinations
  - ◆ Decisions on Appeals
  - ◆ Court Cases
- ✱ Technical Regulations
  - ◆ Exemption of IP Related Equipment from Type Approval
  - ◆ Type Approval of Terminal Equipment
  - ◆ Matters Relating to Numbering
  - ◆ In-House Telecom Wiring
  - ◆ Short Codes for IN Based Services
  - ◆ National Destination Codes

## 8 Consultations and Publications

- ✱ Consultation Papers/Studies
  - ◆ Report on “Development of Telecommunication in Rural Areas”
  - ◆ Virtual Private Network (VPN)
  - ◆ Promotion of Call Centers in Pakistan
  - ◆ Consultation Paper on Penalties on outages of Telecom Services
  - ◆ Consultation Paper on Terms and Conditions for Renewal of CMT License
  - ◆ Consultation Paper on “Streamlining of Type Approval Procedures”
- ✱ Publications
  - ◆ Award of Industry Status to Telecommunication Sector
  - ◆ Provision of Value Added Services through LL & Cellular Mobile Companies
  - ◆ Annual Report
  - ◆ Quarterly Reports
  - ◆ Investigation of Anticompetitive Conduct Allegations and Telecom Status Report 2002-03
  - ◆ Remedial Measures
  - ◆ Telecom Reforms in Pakistan
  - ◆ Articles Published in different Newspapers/Magazines

### Annexes

- Annex -1 Bidding Procedure and Auction Process
- Annex-2 List of LL/LDI Licensees
- Annex -3 Potential WLL Licensees
- Annex -4 **Financial Details of WLL Auctioning**
- Annex -5 Annual Audited Accounts
- Annex -6 Licenses issued during the Year 2003-2004
- Annex -7 Details of licenses, renewals, demand notices, site clearances and cases forwarded to FAB for frequency/site clearance during the period July 1, 2003 to June 30, 2004
- Annex -8 Revision of annual license fee for value added services
- Annex -9 Recommendations of South Asia Telecommunication Regulator’s Council
- Annex -10 Organization Structure of PTA

### Tables

- Table-1 Available Spectrum for WLL
- Table-2 Fixed Line PTCL Tariffs Proposal
- Table-3 Approved fixed line tariffs
- Table-4 Card Payphone Tariffs
- Table-5 Audiotex Services Tariffs
- Table-6 Recovery Achievements
- Table-7 Financial Highlights
- Table-8 Investigations Report
- Table-9 Frequency Monitoring Report
- Table-10 Court Cases
- Table-11 Type Approved Equipments
- Table-12 Premium Rate Service Nos.
- Table-13 IN Based Services Codes

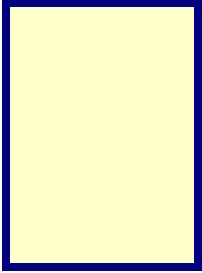


Table-14	National Destination Codes
<b>Figures</b>	
Figure-1	Cellular Subscribers Growth
Figure-2	Teledensity Growth Patterns
Figure-3	GST/CED Collected from Telecom Sector
Figure-4	Stage – II: (Open Out Cry) Highest Bid of Second and Last Round
Figure-5	Yearly Increase in Licenses upto October 2004
Figure-6	Licenses issued during the year 2003-2004 of Value Added Services

## Salient Activities of the Year

- ✦ **Fastest, transparent and faire deregulation of telecom**
- ✦ **FAB placed under administrative control of PTA**
- ✦ **Mobile sector exhibit growth of 173% in year 2002-03**
- ✦ **Two new Cellular Mobile Licenses awarded to M/s Telenor and Warid telecom against an amount of US\$ 291 million each through open auction**
- ✦ **12 LDI and 84 LL licenses issued to 33 local and international companies**
- ✦ **Rs. 1.7 Billion received as an initial license fee from LL and LDI licensees**
- ✦ **Spectrum auctioned for WLL to 23 companies through open bidding**
- ✦ **Over Rs.14 billion expected to be received from spectrum auction**
- ✦ **About 108 WLL licenses likely to be issued**
- ✦ **Activation charges on new mobile connections reduced by 50%**
- ✦ **PTA first time hosted SATRC meeting in Islamabad**
- ✦ **A total of 55 items of terminal equipment were type approved**
- ✦ **Type Approval on some of the IT related equipment withdrawn, to promote ICT**
- ✦ **4-digit short codes planned to be allocated to the LDI and LL operators**
- ✦ **PTCL Reference Interconnect Offer (RIO) under finalization**
- ✦ **Interconnect agreement between PTCL & card payphone operators concluded**
- ✦ **141 licenses issued for value added services and 84 licenses issued for radio based services**
- ✦ **Video Conferencing allowed through hiring leased lines from PTCL**
- ✦ **PTCL's GMPCS license modified**
- ✦ **Rs. 1,292,000 fined to 1476 Card Payphone PCOs for tariff violations**
- ✦ **PTA received and disposed of 5659 complaints**
- ✦ **Mobile Cellular Service Operators and PTCL directed to improve their Quality of Service**
- ✦ **Telecommunications Sector declared as Industry**

## Foreword

I feel immense pleasure in presenting the Annual Report of Pakistan Telecommunication Authority for the Year 2003-2004. This was a historical year in the telecom industry, where major landmarks were achieved. Deregulation process of telecom sector that started in early 2003, is now successfully completed with issuance of licenses for Phase-I. Today, all telecom services are liberalized and entry restrictions are lifted.

This was a challenging task and all departments of the Authority embarked upon with full spirit and zeal. Lot of groundwork was needed for implementation of the deregulation policies, in befitting manner. In this regard,

many in-house and outsourced consultations were done for finalization of necessary licensing

documents. After thorough discussions and preparation of the documents, Expression of Interests were invited through local and foreign press for issuance of new licenses. This was the first step towards opening of the sector for private investment. Resultantly, we received overwhelming response from local as well as foreign investors. In order to facilitate investors, we provided full opportunity to raise questions and seek clarifications. Investors' conferences were organized with the prime objective of discussing various issues of bidding and licensing process with the investors directly, so that we move ahead taking stakeholders along.

The bidding for cellular mobile licenses was conducted in an open, fair and transparent manner. A large number of companies had shown interest in the Pakistan market. The two International

cellular companies, M/s Telenor of Norway and M/s Warid Telecom of UAE, were awarded the licenses. After



successful implementation of the cellular mobile policy, activities started for the award of Local Loop (LL) and Long Distance International (LDI) licenses.

Necessary preparations were made for transparent implementation of the Deregulation Policy. For this segment also, investor's response was overwhelming and we received 193 applications for the grant of Local Loop (LL) and Long Distance International (LDI) licenses. Out of these applications, we have issued 12 LDI licenses and 84 LL licenses to 33 local and international companies.

Keeping in view the importance of WLL technology in developing economies and the growth of WLL subscribers all across the world, we also decided to promote this technology and thus offered WLL licenses. As spectrum is a scarce source, we tried our best to accommodate maximum number of players in the available resource. 20 companies have won the spectrum for 14 telecom regions. In all, 108 WLL licenses will be awarded to the successful bidders upon deposit of spectrum winning prices. An amount of Rs 14055 Million is expected from the spectrum auction.

Beside deregulation activities, work remained in progress in developing a systematic regulatory approach; which not only promotes benefits of the end users but also contributes in development of the efficient industry. Keeping in view the post deregulation scenario, many new regulations were made and existing regulations were revised to meet the upcoming challenges. In order to ensure the proper implementation of Law and regulations, many determinations were issued and fine imposed during the year.

To facilitate the industry, type approval procedures have been revised. Matters related to numbering were also dealt. Other numbering resources, Mobile Network and National Destination Codes had also been allocated.

Realizing that tariff structure plays an important role in rapid growth of the industry, tariff regulations were drafted. Fixed line tariffs, Card Payphone tariffs, audiotex service tariffs and co-location charges were reduced for the benefit of people at large. PTCL submitted its tariff proposal for the year 2003-2004. PTA approved the proposal for reduction in Long Distance (NWD), line rent, connection charges and increase in the duration of local calls for off-peak.

During the last few years, the congenial and liberal policy adopted by PTA had created such an environment where new businesses are emerging day by day. In this regard, PTA has initiated a number of activities, aimed at improving licensing processes. In this regard, amendments in the licenses were made, existing license regulations were modified and consultants were hired to introduce new services etc.

At the time when competition has introduced to increase service choice and better quality at affordable prices; consumer issues must also be addressed, parallelly. During the year regular

inspections of operators' systems were carried out to assess quality of service. As a result instructions were issued to concerned operators to improve their efficiency. PTA also submitted proposals to the government to decrease burden of tax on consumers. The government agreed to PTA's proposal and reduced activation charges on cellular mobile connection by 50%.

It is expected that our polices will help to create a genuine competition in the telecom market. Resultantly, a number of economic benefits will be generated in terms of increased welfare of a common man and overall growth of our national economy. The huge investment in the telecom Industry exhibits the confidence of foreign investors in Pakistan economy and will create new employment opportunities in the coming years. As a regulator, our utmost endeavor is to facilitate the new businesses and technologies and provide a level playing field for all players in the Industry.

Looking forward, I am conscious that despite we have achieved key milestones this year, there is much more to be done. Many issues which are likely to emerge after liberalization of the telecom services will be appropriately handled. I am pleased to acknowledge the hardwork done by all divisions of the Authority and expect the same in future pursuits. I wish to thank all my staff, for their active participation in achieving the goal of liberalization of telecom services. I will look forward for the continued cooperation and commitment of all, in developing Pakistan as a leading knowledge-based economy and infocomm hub across the world.

**Major (R) General Shahzada Alam Malik**  
Chairman, PTA

## Chapter 1

### TELECOM SECTOR AT A GLANCE.....

- ⊙ Fastest, transparent and faire deregulation of telecom services
- ⊙ Mobile sector exhibits growth of 173% in year 2003-04
- ⊙ Over Rs. 30 billion generated through initial license fee from mobile, fixed licenses and spectrum auction for WLL
- ⊙ FAB placed under the administrative control of PTA for better services to the licensees
- ⊙ PTA hosted South Asian Telecommunication Regulators' Council meeting in Islamabad
- ⊙ Steps for consumer protection – Tariff and Tax Reductions
- ⊙ FDI in telecom sector touched US\$ 207.1 million mark in 2004 which was just US\$ 6.1 million in 2002
- ⊙ FDI US\$ 5 to 8 billion expected in next 3 to 5 years
- ⊙ About 370,000 jobs are expected to be created in the telecom sector

#### OVERVIEW

The year 2003-2004 is considered as a historical year in the history of telecommunication in Pakistan. PTA successfully completed first phase of telecom deregulation in this year. Deregulation revolutionized the whole industry. Significant landmarks are achieved and the local telecom scenario is completely changed. Today all telecom services in Pakistan are open to competition whereby incumbent monopolies will now be competing with telecom giants of the world working in Pakistan. Telecom services consumers are forecasted to increase by many folds due to price reduction under competition.

During the year 2003-04 following major events took place on the telecom scene in Pakistan.

#### DEREGULATION OF THE TELECOM IN PAKISTAN<sup>1</sup>

PTA with a vision to promote investment, encourage competition and protect consumer's interest, started implementing the deregulation policy both for fixed and cellular mobile during this year. Brief description is as under:

##### Cellular Mobile

To award new cellular mobile licenses under the cellular mobile policy, PTA started consultation with different stake holders and prepared licensing documents. PTA also launched a massive media campaign, organized investor's conferences and issued Expression of Interest for award of cellular licenses in local and foreign news papers. Resultantly, PTA received overwhelming response from investors. PTA conducted bidding for award of cellular licenses on 14<sup>th</sup> April and awarded licensees to M/s Telenor and Warid Telecom @ US\$

<sup>1</sup> Details are available in Chapter --2





291million each in open and fair auction which has been appreciated by all who participated or witnessed the process.

### **Fixed Line**

Government of Pakistan announced Deregulation Policy for Pakistan Telecom Sector on 13<sup>th</sup> July 2003 which opened up fixed line telecommunication sector in Pakistan and abolished the exclusivity of PTCL in basic telephony. Under the policy guidelines, two types of the licenses are to be issued by PTA, Local Loop (LL) and Long Distance International (LDI) Licenses. Both the licenses are unrestricted for any one who request for license and meet the licensing requirements.

PTA also implemented this policy in transparent manners. PTA issued Information Memorandum which

contained all necessary requirements and procedures for award of licenses. So far PTA had issued 12 LDI and 84 LL licenses to various companies.

Wireless Local Loop (WLL) technology which is becoming popular among countries due to its relatively low deployment costs, PTA also conducted open auction to allocate spectrum to qualified applicants for WLL licenses. Twenty companies have won the spectrum in open auction and it is expected, PTA would receive over Rs. 14 billion as spectrum price from 20 successful companies. A total of 108 WLL licenses will be issued after completing the formalities and receiving the required payments.

### **Other Licenses**

Besides, PTA also issued licenses for value added and radio based

services. 118 licenses have been issued for card payphone services, 6 licenses for audiotex services and 5 for non-voice network communication services in 2003-2004. A total of 141 licenses have been issued for value added services during the year. For detail see chapter – 4.

*In short, PTA has introduced competition both in fixed and cellular*

*market for its growth. Introduction of competition in mobile*

*and fixed line services, under deregulation policy, in a span of one year has become fastest ever telecom deregulation across the world. The transparency of process adopted by PTA has been acknowledged and appreciated all over the world.*

*Introduction of competition in mobile and fixed line services, under deregulation policy, in a span of one year has become fastest ever telecom deregulation across the world*

## **FAB UNDER PTA CONTROL**

Frequency Allocation Board was established under the Pakistan Telecommunication (Re-organization) Act, 1996 to assign and manage Frequency Spectrum in Pakistan. Previously, the organization was working under Ministry of Information Technology. However, to make the regulatory mechanism more simple, efficient and to follow the one window concept, FAB was placed under PTA with-effect from 9<sup>th</sup> April 2004. Prior to placing FAB under PTA, a number of proposals were given to the Government for merging FAB with PTA however, they decision did not materialize. It was in April 2004, that the final decision was

taken by the government to place FAB under the Regulatory Authority for better services to the licensees.

## **SOUTH ASIAN TELECOMMUNICATION REGULATORS' COUNCIL (SATRC) MEETING<sup>2</sup>**

SATRC is an important forum of regional telecom regulators which works under the umbrella of Asia Pacific Telecommunity. Council is

responsible for the discussion and coordination of issues which are of

common interest to the Telecommunications Regulators of the South Asia region. Council is also responsible to identify and promote areas of potential co-operation in telecommunications among South Asian countries and facilitates the exchange of information in these areas through activities such as training, seminars and workshops.

PTA first time hosted the SATRC meeting in Islamabad during 20-23 September 2004 which was largely attended by senior officials of Regulatory Bodies in South Asia Region alongwith their delegations. It was sixth meeting of the SATRC member which made recommendations on the issues including numbering, universal services and interconnection etc<sup>3</sup>.

<sup>2</sup> for detail see chapter 6

<sup>3</sup> Detailed recommendations of 6<sup>th</sup> SATRC meeting placed at Annex-9



## STEPS FOR CONSUMER'S INTEREST

PTA always remained vigilant to look after the interest of consumers whether in terms of Quality of Service or Tariffs to make the services more affordable to common man. It is also the function of the Authority to promote and protect interest of users of telecommunication services in Pakistan. During the year following major steps have been taken by PTA to protect the interest of Consumers.

### Activation Tax

The Central Board of Revenue levied Activation Charge/Tax of Rs. 2000 on new mobile connection. In order to provide relief to end users, Pakistan Telecom Authority took up this issue with the government, as this tax was considered burdensome for consumers. On the recommendations of PTA, the government has reduced the activation charge on mobile connections from Rs. 2000 to Rs. 1000. This decision of the

government has provided great relief to the cellular phone customers and helped in expanding the mobile phone subscriber base in the country.

### Reduction in Tariffs

PTCL submitted proposal for its tariff reduction of NWD and International out going calls, however it did not submit proposal for reduction in line rent charges. PTA after getting opinion from consumers in an open forum and based on its own analysis and comparison with SAARC countries, directed PTCL to reduce line rent which is burdensome for consumers. Resultantly, PTCL reduced line rent from Rs. 300 to Rs. 200 (including GST) and reduced installation charges from Rs. 1850 to Rs. 1350 for urban areas and Rs. 500 for rural areas. PTA also approved reduction in NWD and international outgoing call charges by 7% and 23% respectively. Duration of local calls was also increased to ten minutes for off peak period.

## Quality of Service (QoS)<sup>4</sup>

One of the important function of the Pakistan Telecomm Authority in terms of the Pakistan Telecommunication (Re-organization) Act, 1996, is to promote the availability of a wide range of high quality telecommunication services throughout Pakistan.

During the year 2003-04 PTA conducted surveys in various cities of Pakistan to check the quality of service of the cellular mobile companies in Pakistan. Results of these surveys' showed that the quality of service of the Moblink, Ufone and Instaphone was below the standards. PTA perused the cellular operators to immediately improve the quality of service for end users. Similarly, PTCL was also directed to improve quality of service. Number of Internet Service Providers (ISPs) were also directed after inspections, to improve their services.

## Action Against Over Charging<sup>5</sup>

PTA conducted over 1900 inspections of various PCOs of Card Payphone Companies and found many violations of the tariffs approved by the Authority. Consequently fines were imposed on the violators.

## INCENTIVES TO OPERATORS

During the year PTA also provided a number of incentives to operators to reduce their input cost and to induce growth of the telecom sector in Pakistan.

<sup>4</sup> For details see chapter 5

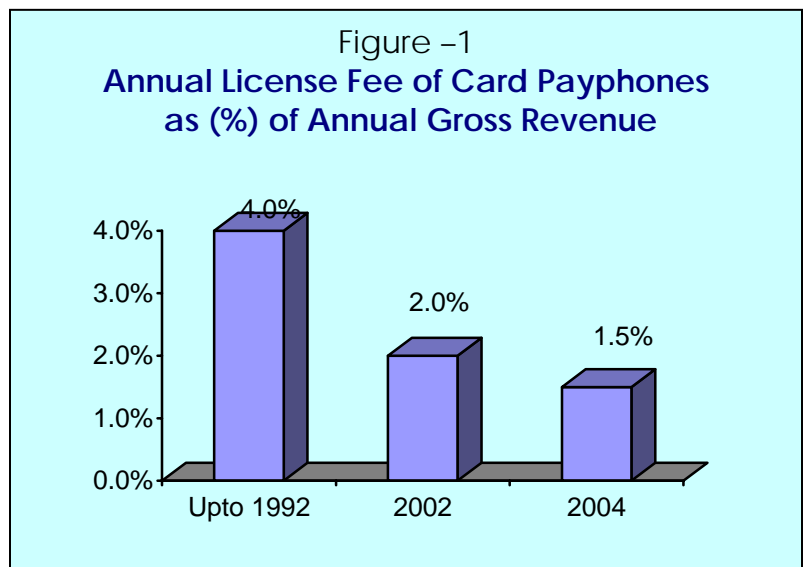
<sup>5</sup> For details see chapter 5

## Card Payphone

Card Payphone services are important means of providing access to general public. It is also an important source of self employment throughout the country. Keeping in view its importance, PTA has been providing incentives to this sector in terms of reduction in royalty and license fees over the years. Initially PTA was charging annual royalty @4% of annual gross revenue or 50% of initial license fee "whichever is higher" and annual renewal fee @25% of initial license fees.

In the year 2002 annual royalty was abolished and replaced with annual license fee of 2% of gross revenue or 50% initial license fee whichever is higher.

During the year 2004, Annual license fee has been further reduced to 1.5% of annual gross revenue or 10% of initial license fee whichever is higher. This incentive would give further impetus to the growth of the sector.



**Cellular Mobile**

PTA provided several incentives for the growth of cellular mobile in Pakistan including the reduction in royalty and introduction of Calling Party Pays (CPP) regime in year 2001. During the year 2004 under cellular mobile policy annual royalty has been further reduced from 1.5% to 0.5% of annual gross revenue minus inter operators payments for new entrants. The same will be applicable for the existing operators when they will renew their licenses.

**Other Services**

During the year 2004, PTA also reduced annual license fee of other services like Voice Mail Services (VMS), Video Conferencing Services (VCS), Trunk Radio Services (TRS), Burglar Alarm Services (BAS), Vehicle Tracking Services (VTS) and Audiotex Services (ATS).

Royalty of ATS has been abolished and replaced with annual license of 1.5% of annual gross revenue or 10% of initial license fee "whichever is higher" with effect from April 01,

2001. Prior to this, PTA was charging annual royalty @4% of annual gross revenue or 50% of initial license fee and annual renewal fee @25% of initial license fee.

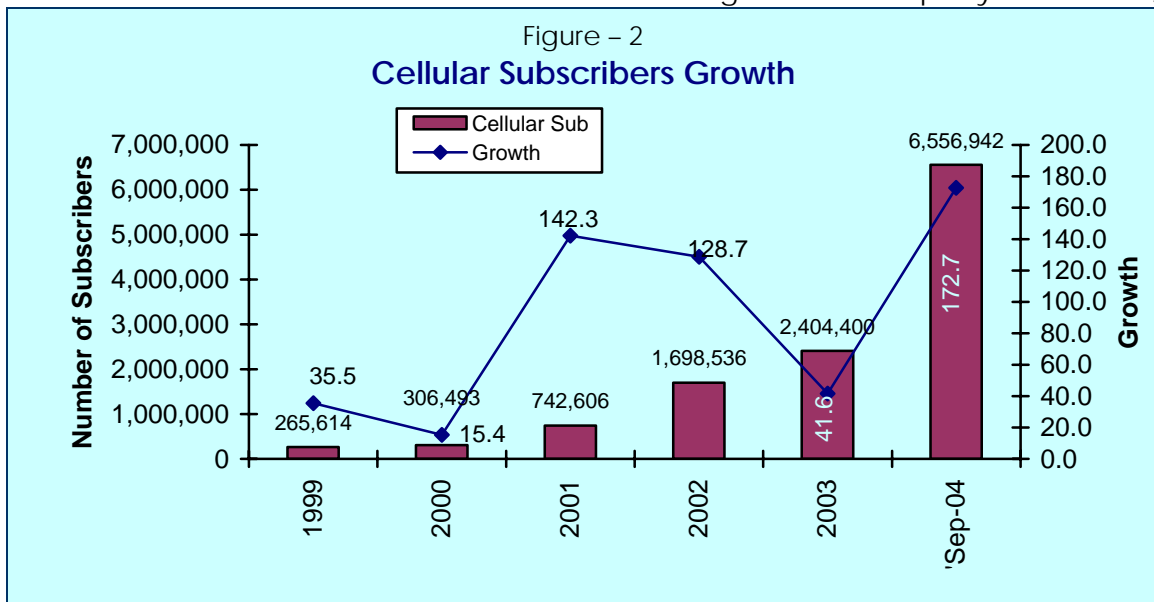
Annual royalty and renewal fee of VMS and VCS has been abolished and replaced with annual license fee of 0.66% of annual gross revenue or 10% of initial license fee with effect from July 01, 2004.

**GROWTH OF TELECOM SECTOR**

Following is a brief account of growth patterns in the different telecom services over the years.

**Mobile Sector**

Fruits of the competition in the telecom sector introduced by PTA have started passing on to the consumers in just few months in terms of reduction in tariffs and extension in coverage. On the eve of Independence Day, Ufone offered free connections and added approximately 3, 48,000 customers in just one month. Mobilink, the leading mobile company in Pakistan,



also is offering various packages to attract more customers. Recently, Mobilink offered free connection with Rs. 300 scratch card before it was offered bundle package and offered free hand set with connection.

Cellular mobile sector had shown significant growth in last year. At the end of year 2003 the mobile subscribers were almost 2.4 million which has increased to 6.5 millions till the end of September 2004. In the year 2003-04 sector grew by 173% (Figure-2). This unprecedented growth can be attributed to series of events that have taken place during the year. This includes award of license to two new mobile companies thus creating competitive environment for existing operators. These operators have started acquiring market share as much as possible by bring down the prices of new connections to zero. Similarly, PTA initiative to reduce activation tax from Rs 2000/- to Rs. 1000/- on new mobile connection has also played an important role in increasing the subscriber base as the benefit was completely transferred to the consumers.

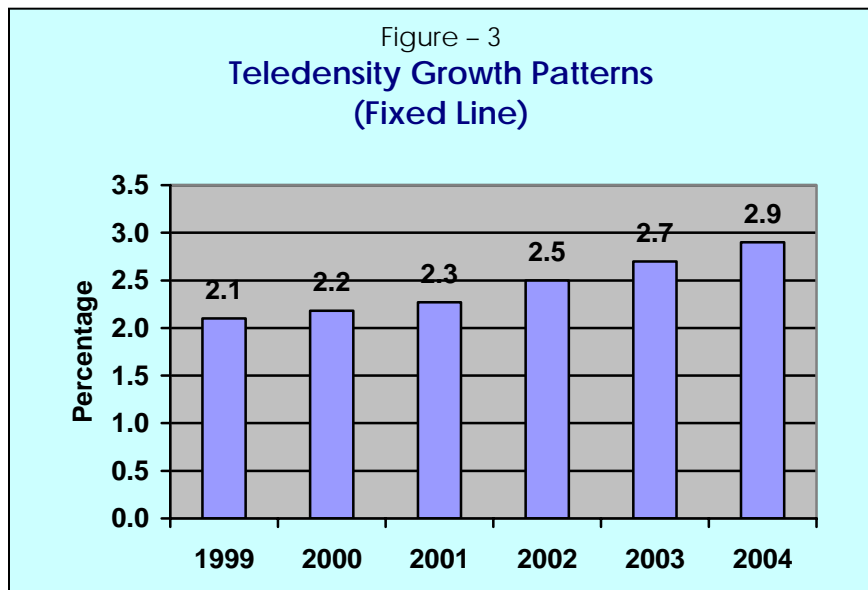
### Fixed Line Sector

Fixed line Services in Pakistan have also shown magnificent growth patterns over the years. This has been evident from the increased

teledensity over the years. Currently the teledensity has reach to 2.9% which was just 2.2% in year 2000.

PTA has been working towards increasing teledensity; in this regard PTCL tariffs have been reduced drastically not only for local but also for nation wide and international calls. PTCL has been asked to bring in schemes for provision of fixed line connection on easy terms.

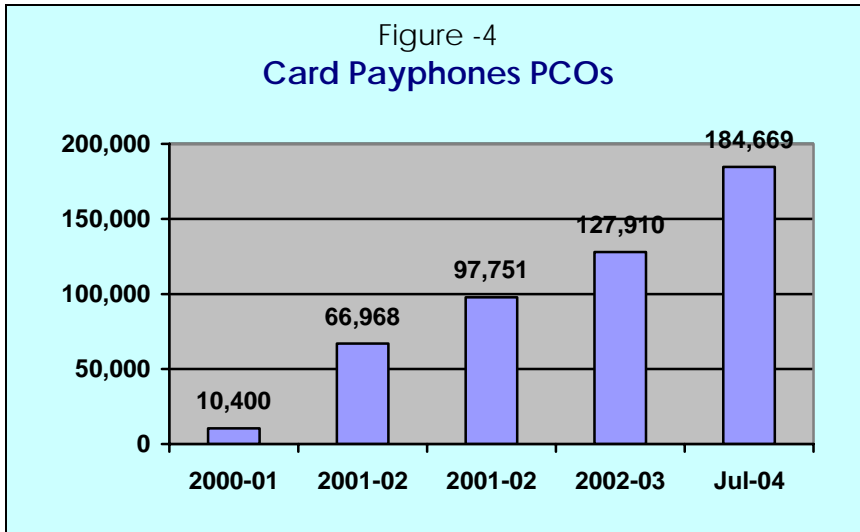
Recently, PTA has issued licenses for LL and LDI and it is expected that teledensity will increase further as soon as new operators start their services. Similarly 108 licenses are expected to be given out for WLL services which will be a corner stone in increasing teledensity in rural



areas of Pakistan which is currently very low.

### Card Payphones

Card Payphone sector also shown a tremendous growth over the years. In the year 2000-2001 there were only 10,400 card payphones in the country and the number has



reached to 184,669 in July 2004 shown in the Figure -4.

The growth in this sector is basically due to liberalized policy, competition, reduction in regulatory charges and reduction in tariffs of telecom services.

### Broad Band

For last couple of years there has been a drastic worldwide shift of users from conventional internet access to broadband access. Keeping this in mind, PTA has allowed all the ISP's to offer broadband services as opposed to only 4 earlier. This has been decided in the greater interest of the users and the telecom industry for fostering broadband services.

### IMPACT OF DEREGULATION ON ECONOMY

The impact of telecom deregulation on overall economy is quite obvious. Share of Telecom sector in GDP has increased from 1.5% in the year 1999-2000 to 1.7% in the year 2003-04. It is expected that total share of Telecom sector in GDP would increase to 3% in the coming 5 years

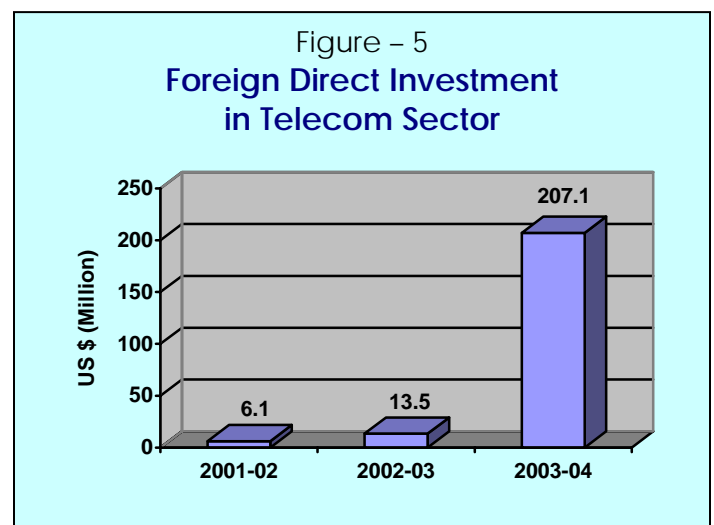
when new operators would roll out their networks in the country.

A total of over Rs. 30 billion have been generated by PTA as initial license fee from new licenses (mobile, fixed and Spectrum for WLL). This

contribution would have far reaching impact to the economy of Pakistan in the coming years.

### Foreign Direct Investment (FDI)

Foreign Direct Investment is considered an important source of economic growth in this globalized world. PTA has created a conducive and investors friendly environment in the telecom sector by awarding licenses in an open and transparent manner. Award of cellular mobile licenses increased Foreign Direct Investment considerably (Figure-5).



It is expected that US\$ 5 to 8 billion Foreign Direct Investment would

come to the cellular mobile and fixed line telephony in next 3 to 5 years.

distributors of the telecom companies entered in the telecom market of Pakistan.

### Employment

Telecom sector has been declared as a priority area for employment generation and poverty reduction by the Government of Pakistan in year 2004. By issuing new licenses in the telecom sector, approximately 370,000 direct and indirect employment opportunities are expected to be created. Indirect employment would be provided through franchises, venders and

### Revenues

Beside the sector's contribution in employment and Foreign Direct Investment, the revenues in terms of GST/CED have also been increased significantly. CBR collected over Rs. 2 billion from fixed line and cellular sector during July-August 2004 (in just two months). Total collections from telecom sector in terms of GST/CED increased by 5% in fiscal year 2004 compare to the previous year.

Service	Direct Employment (20,000)	Indirect Employment (350,000)	Foreign Investments in Next 3 to 5 years
Mobile	5,000	Venders, Franchises and distributors	US\$ 2-3 billions
Fixed Line Telephony	15,000 LL (5,000), WLL (8,000), LDI (2,000)	Pay Phone (PCOs) Venders, Customer Service Centers, Call Centers and Distributors	US\$ 3 to 5 billions





## Chapter 2

### LIBERALIZATION OF TELECOM

- ⊙ Two Cellular Mobile Phone Licenses Awarded to M/s Telenor and M/S Warid telecom through open bidding against auction winning price of US \$291 million each
- ⊙ 12 LDI and 84 LL licenses issued to 33 local and international companies
- ⊙ Rs. 1.7 billion received as an initial license fee from LL/LDI companies
- ⊙ Auction for Spectrum for WLL licenses held
- ⊙ Rs. 13.8 Billion revenue expected as the price of spectrum
- ⊙ About 108 WLL Licenses likely to be issued to 20 companies in 14 Telecom Regions

#### INTRODUCTION

Realizing the benefits achieved from telecom deregulation around the world, Pakistan premeditated to move away from the monopolized structure to the deregulated one. Pakistan Telecommunication Deregulation Policy was announced in July 2003, followed by the announcement of Mobile Cellular Phone Policy in January 2004. Now the doors to unparallel development and opportunities in the telecom sector of Pakistan are open. A series of challenges and responsibilities were vested on PTA, the regulator, in order to implement the policy in a transparent and befitting manner. PTA has taken over the challenge and is playing an instrumental role in liberalization of the Industry.

Activities carried out by PTA in the first phase of implementation of telecom deregulation and cellular mobile policies, are discussed in the ensuing pages.

#### CELLULAR MOBILE SECTOR

Under the mobile policy, it was decided that two new mobile

licenses will be awarded in addition to existing four. According to the policy, the licenses were kept technology neutral so that operators could decide best possible option.

PTA started off with a series of activities in a very professional manner. A plan was chalked-out starting from attracting global mobile players attention down to award of licenses through a transparent and open bidding procedure.

#### Media Campaign

PTA launched massive media campaign to highlight the market potential. Basic aim of this campaign was to attract attention of investors around the globe. The other purpose was to inform the potential investors about terms and conditions of the licenses to be awarded. It was a very useful and timely exercise, as its effectiveness proved, subsequently, when an impressive number of companies of international repute, submitted expression of interests to obtain the license.



In this regard, interviews of Chairman PTA were telecasted on various Television channels. Press conference was arranged, which was attended by local and foreign journalists of electronic and print media.

*...Out of 33 applications, 9 applicants pre-qualified to participate in the bidding.*

with the investors directly, and get their input to refine the bidding procedure. The conference was attended by representatives of the companies who had shown their interest to participate in the contest of securing the license and other telecom experts.

Numbers of queries/questions were raised by the investors regarding bidding time table, consortium or multi ownership, finance and license regulations etc. All the queries raised by investors were addressed in the Information Memorandum which was revised after incorporating the input by applicants. Most of the investors requested to extend the bidding date. To assist the investors, date for bidding was extended from 14<sup>th</sup> March 2004 to 14<sup>th</sup> April 2004.

**Expression of Interests (Eols)**

Expression of Interests were invited from interested parties through local and foreign press on 18<sup>th</sup> November 2003. A non-refundable application fee of Rs. 100,000/- was fixed by the Authority. In response, PTA received overwhelming response from local and foreign investors. A total of 33 companies and consortiums submitted EOLs for obtaining cellular mobile license.

**Pre-qualification**

Out of 33 applicants, 9 pre-qualified to participate in the bidding, based on technical evaluation, security

**Investors Conference**

An investors conference was organized on 18<sup>th</sup> February, 2004 where the regulator came face to face with the potential investors. Prime objective of this conference was to discuss various issues of bidding process



clearance and earnest money deposited by the applicants.

Earnest money of US \$10 million or Pak Rs. 575 million was fixed for participation in the bidding of mobile cellular license. Only those applicants were pre-qualified, who deposited the earnest money, through normal banking channels in the designated account of the Authority by 12<sup>th</sup> April 2004. It was clarified to the applicants that the earnest money will be adjusted towards the auction winning price (License fee) for successful bidders. While the amount of unsuccessful bidders will be returned within 30 days of the bidding date without any liability towards interest, indexation, inflation or deflation etc.

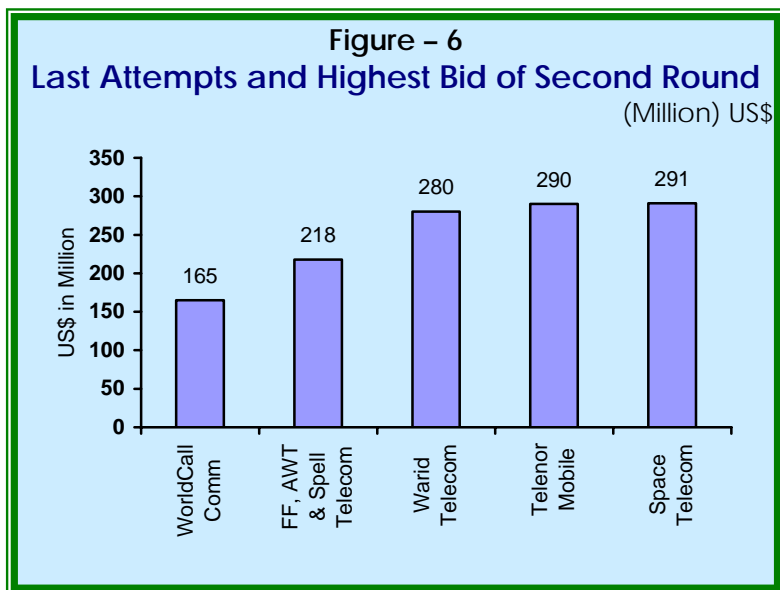
### Bidding

PTA conducted bidding for award of cellular mobile phone licenses in the presence of press and media personnel and large range of audience including investors, government officials and telecom experts. Bidding was conducted on 14<sup>th</sup> April 2004 in local hotel Islamabad. Three persons including the authorized representatives from each pre-qualified applicants were allowed to participate in the bidding. Complete bidding procedure is placed at Annex -1.

Bidding was conducted in two stages. First round



was through sealed bids and second round was through open outcry. The sealed bids were dropped by the authorized representatives of the bidders in the sealed transparent box in the presence of the bidding committee and the audience. To create fair competition among the investors, it was decided that only top 50% would be selected for second round. The Bidding committee opened the sealed bids in front of the authorized representatives of the bidders. The



Bidding committee announced bid price of each bidder and showed their bid on a big screen specially installed for the convenience of audience.

The highest bid came out of Telenor a Norway based company who bid US \$161 Million in the first round of bidding for license. Second highest bid came from Warid Telecom who bid for US \$151 Million. In the first round, 5 companies were short listed (top 50%) who were qualified for the second round. Highest Price quoted by Telenor in first round became the floor price for second round of bidding.

Second round of bidding was open out cry among the 5 successful bidders of the first round. Second round continued until there was no further bid. Results of second round are given in Figure -6.

M/s Space Telecom Consortium became the highest bidder who bid US\$ 291 million followed by M/s Telenor who bid US \$ 180 million. Second highest bidder, M/s Telenor was asked to match the winning price and they agreed to match. Successful bidders were then asked



to select one of the available lots of frequency spectrum.

### **Award of the Licenses**

Being the highest bidder, licenses were offered to M/s Telenor & Space Telecom Consortium on 24<sup>th</sup> April 2004. However, the offer for Space Telecom Consortium was later cancelled as it missed the dead line to deposit 50% down payment of the auction winning price. Resultantly, next highest bidder company, M/S Warid Telecom was asked to match the bid price of US\$291 million, who readily accepted the offer and deposited the required amount by given date. Finally, Licenses were issued to Telenor and M/S Warid Telecom.

The license documents were signed at President's camp office Rawalpindi by Chairman Pakistan Telecom Authority (PTA) Maj. General (R) Shahzada Alam Malik, Jon Fredrik Baksaas, President Telenor and Sheikh Mubarak Al Nayhayan Al

*...Two cellular licenses were awarded to M/s Telenor and Warid Telecom @ US\$291 Million*



Mubark of Warid Telecom on 26<sup>th</sup> May 2004.

President General Parvez Musharraf who witnessed the signing ceremony welcomed the two companies and said that decision to launch mobile services in Pakistan would equally benefit the country, its people and the investors. He assured both the companies about continuity of the government's economic policies and said that he would be looking forward for more investment by the two leading cellular concerns in Pakistan. President further said that Pakistan already has a good relationship with Norway and UAE which will further flourish with this new investment. He asked the new mobile operators to ensure excellent service to the consumers and win their confidence. President expressed the hope that the two companies will develop a good

working relationship with the regulator.

Later, in a press conference, CEO of Telenor Jon Fredrik Baksaas said that Telenor will start its services by April next year. He assured that his company will provide good quality service to the customers and will introduce low cost mobile packages. He noted a great potential in cellular market in Pakistan. He said that apart from the bid price invested for the license, his company intends to invest about US\$ 1 billion on its network in the next three to five years.

Sheikh Mubarak who is also the Minister for Higher Education and Science and Technology, UAE, paid tributes to President of Pakistan for awarding licenses of mobile phones in a very transparent manner. He further expressed that Pakistan has created a favourable investment climate and its economy is flourishing

as is evident by the boom in stock exchange and a greater interest being shown by the foreign investors in different fields.

Chairman PTA at the occasion said that PTA will be providing level playing field to all operators and conducive environment for investment in the telecom sector of Pakistan. He hoped that with the introduction of two more cellular companies more employment opportunities would be generated in Pakistan and customers will have the option to choose services at the competitive cost.

## FIXED LINE SECTOR

Like Cellular Mobile Policy, Pakistan Telecommunication Authority also implemented Telecom Deregulation Policy in a transparent and impartial manner. It adopted a proactive approach and made necessary preparations for efficient implementation of the Policy. Following action were taken to implement the Policy.

### Consultation Process

A consultation process was initiated with the stakeholders regarding implementation of De-regulation policy. Industry was taken into confidence about the implementation strategy. For this purpose, a number of meetings were arranged with

organizations/ institutions including Board of Investment, Regulatory Authorities and Ministry of IT. Certain studies were awarded to local and international consultants to finalize the licensing documents.

### Investor's conferences

Investors conferences were organized for the benefit of potential investors and to get their feedback. In this regard, first investors conference was held in Karachi on 18<sup>th</sup> August 2003 with collaboration of International Islamic Chamber of Commerce Karachi.

Second conference was arranged at Serena Hotel, Islamabad on 10 September 2003. The conference was well attended by interested parties which included local & foreign investors, representatives of foreign carriers, commercial attaches of foreign missions in Pakistan and representatives of





Chamber of Commerce & Industries, Minister for IT, Minister for Privatization and State Minister for IT and Law, Justice & Human Rights were also present. A detailed presentation on policy implementation documents was presented and highlighting salient aspects of the implementation process.

Another conference was held on 28<sup>th</sup> April, 2004 to solicit the views of the investors regarding issues related to LL and LDI license. The conference was attended by chief executives and representatives of 77 national and international telecom companies. During the conference, the investors raised a number of issues pertaining to interconnection, co-location, right of way and spectrum allocation. PTA responded to their queries and assured the investors that the Authority would give due consideration to their suggestions and would try to accommodate their useful comments.

### **Media Campaign**

For the fixed line segment also, PTA launched an extensive media campaign to attract the potential investors. Number of press releases were given about the current scenario of the telecom sector of Pakistan. On 25<sup>th</sup> February 2004, an advertisement was published in local and international newspapers to invite applications

from Pakistani and foreign companies/consortiums for the grant of technology neutral fixed line telecommunication service licenses.

### **Information Memorandum (IM)**

A comprehensive Information Memorandum (IM) was prepared, which contained all necessary details and a complete road map about the licensing procedure. Local and foreign consultancies were also hired to finalize the IM.

The term of both the licenses was fixed to be twenty years. LL license was for one telecom region, while LDI license was countrywide, excluding Azad Jamu & Kashmir and Northern Areas.

As a result of the investors conferences twenty-two interested groups raised more than 300 queries. Based on the input provided by the investors, the Information Memorandum was further refined.



## Response from investors for Fixed Line Licensees

For fixed line segment also, the investors responded over whelmingly. PTA received 95 applications for Local Loop (LL) and Long Distance International (LDI) licenses. Out of these 95 applicants, 23 applicants applied for LDI license and 72 for LL license. Out of 72 LL applicants, 12 companies applied for all 14 Telecom regions, 38 companies applied for single LL regions whereas, remaining 22 Companies, applied for different regions.

### Public Hearing

A public hearing was arranged before the award of fixed line licenses on 5<sup>th</sup> July 2004 in Islamabad.

Prime objective of the hearing was to get views of the public about

prospective licensees of LL and LDI services. Profile of each company was presented before the audience and they were asked to give observations if any. The company representatives were clarified the points raised by the audience. Public hearing was largely attended by representatives of LL and LDI applicants, Bankers, telecom experts, government officials and general public from all walks of life.

*..... 12 LDI licenses and 84 LL licenses have been issued to 33 local and international companies.*

During the hearing number of issues were raised regarding

RIO, co-location and Access Promotion charges which were responded by PTA.

### Award of LL & LDI Licenses

Following the public hearing, PTA started awarding LL and LDI licenses. LL licenses were awarded for a fee of US\$10,000 and LDI license for a fee of US\$ 0.5 million each. In addition



to license fee, LDI operators had to deposit State Bank letter of credit (SBLC) for an amount of US\$10 Million. Accordingly, 12 LDI licenses and 84 LL licenses have been issued to 33 local and international companies.



List of the licenses issued is placed at Annex-2.

### AUCTION FOR WLL SPECTRUM

Different frequency spectrums for WLL services were made available by Frequency Allocation Board (FAB). As the spectrum is a scarce source, therefore PTA tried its best to accommodate maximum number of players in each region. The spectrum was allotted to different companies which applied for WLL spectrum, through an open, fair and transparent auction. Available spectrum for auction in each region is presented in Table-2.

*.....twenty companies have won the spectrum and in all 108 WLL licenses in fourteen regions will be awarded to the successful bidders*

Seventy-two companies had applied for local loop licenses in 14 Telecom regions. Thirty-nine companies opted for fixed local loop license and thirty three companies desired WLL spectrum.

Out of these thirty-three, twenty nine companies were cleared for participation in spectrum bidding.

Twenty companies (Attached at Annex-3) have won the spectrum and in all 108 WLL licenses in fourteen regions will be awarded to the successful bidders upon completion of formalities and deposit of auction winning prices. Total revenue generated from the spectrum bidding is expected to be Rs. 13816.785 Million. Financial details are attached at Annex-4.

**Table - 2**  
**Available Spectrum for WLL**

Band	Blocks available
1.9 GHz	Three blocks of 5 MHz each
*450 MHz	2/3 Carriers
479 MHz	One block of 5 MHz
3.5 GHz	Seven blocks of 10.5 MHz each



## Chapter 3

### FINANCE & TARIFF

- ⊙ Fixed line services tariff reduced
- ⊙ Call charges of payphone reduced
- ⊙ PTCL Reference Interconnect Offer (RIO) under review
- ⊙ Co-location charges reviewed with substantial reduction
- ⊙ Interconnect agreement between PTCL& card payphone operators concluded
- ⊙ PTA annual accounts finalized in record time

#### TARIFF ISSUES

##### Fixed-Line Operators Tariff Regulations

PTA regularly examines the tariff structure for the existing services and determine new tariff proposals for emerging services from time to time. For this purpose different regulations and frameworks are devised by the Authority.

PTA drafted Fixed-Line Operators Tariff Regulations and draft was sent to all stakeholders for views and comments. Keeping in view the comments of stakeholders and catering the needs of new regulatory framework, the Tariff Regulations have been finalized. The proposed Draft introduced different regulatory issues including the tariffs of Significant Market Power (SMP) operators and Non-SMP operators, tariffs of LL and LDI operators, separate basket for LL and LDI services, initial prices of SMP

operators, leased line charges etc. The regulation has been sent to the Government for notification.

##### PTCL Tariff Proposal 2003 - 04

Pakistan Telecommunication Company Limited (PTCL) submitted its tariff proposal on September 24, 2003 for reductions in Long Distance (NWD) and International Outgoing (ISD) calling charges. Details of the proposal is given in Table – 3.

Table – 3  
Fixed Line PTCL Tariffs Proposal

	Existing Tariff	Proposed Tariff	% Decrease
NWD			
25 – 80 km	3.48	3.48	Nil
80 – 160 km	6.09	5.65	7
Above 160 km	8.73	7.39	15
ISD			
SAARC & Sp. Relation	21.74	21.74	Nil
Rest of the World - I	33.90	26.08	23
Rest of the World - II	33.90	33.90	Nil

A Public Forum was organized on October 24, 2003 to seek the opinion and suggestions from the general public and consumer interest groups/organizations. In the Forum, PTCL's excessive line rent charges

Table – 4  
**Approved Fixed Line Tariffs**

Services	Rs.
Installation Fee:	
Urban Areas (Excluding GST)	1,350
Rural Areas (Excluding GST)	500
Line Rent (Including GST)	200
Local Call Charges (Incl. GST):	
Peak Hours (0700 to 2230)	2.31 per five minutes
Off-peak Hours (2230 to 0700)	2.31 per ten minutes
NWD	
25 – 80 km	3.48
80 – 160 km	5.65
Above 160 km	7.39
ISD	
SAARC & Sp. Relation	21.74
Rest of the World	26.08

were criticized and suggestions were given for lowering the burden on consumers. It was suggested that different packages should be introduced by PTCL, taking into account the affordability level of different economic groups.

Taking into consideration the various suggestions given during the forum and socio-economic conditions of the country, the Authority analyzed the proposal. A comparison of PTCL tariffs with other SAARC countries was also made. It was observed that the line rent of PTCL was on the higher side and lack of flexibility for the low-end users. Moreover, PTCL does not provide any free calls whereas, most of the SAARC countries were allowing certain number of free calls. Benchmarking with regional telecom operators charges, it was felt that PTCL need

..... in accordance with PTA directives, PTCL reduced its line rent, connection charges and increased the duration of local calls

to look into the issue of high line rent charges and lower the burden on its subscribers. Therefore, PTA directed PTCL to reduce the line rent. In accordance with PTA directives, PTCL reduced its line rent, connection charges and increased the duration of local calls for Off-peak.

The Authority approved the PTCL proposal for reduction in Long Distance (NWD) charges. A detailed determination was issued on PTCL tariff proposal. The new line rent, connection charges, local call charges, NWD and ISD charges are shown in Table-4.

### Card Payphone Tariff

Various complaints were received from the consumers, regarding higher tariffs being charged in the market by card payphone operators. In this regard, a detailed in-house study was conducted and it was observed that PCO holders were charging discretionary tariffs. Similarly, the tariffs for local mobile calls were also perceived to be on the higher side due to the fact that two units were allowed for connecting the call and a third unit at duration of 50.7 seconds. As a result, consumers ended up by paying Rs. 12 – 15 for the first minute.

Table – 5  
**Card Payphone Tariffs**

	Rs.
Payphone to PSTN (Local)	4.00 per 5 minutes
Payphone to Local Mobile	3.82 per unit
Payphone to PSTN (NWD)	3.82 per unit
ISD Calls	3.82 per unit
Payphone to NWD Mobile	3.82 per unit

In order to overcome these issues and other technical problems, the Authority issued a determination on card payphone tariff on July 15, 2003. According to the said determination, the local call from payphone to landline was reduced from Rs. 5.00 to Rs. 4.00 and in case of local call to mobile telephone, payphone operators were directed to drop two units upon connecting the call and subsequently, one unit at a multiple of 60 seconds. Table-5 shows the tariff ceilings announced for payphone service.

In case of NWD Calls to mobile telephones, the payphone operators were allowed to charge one extra unit on per minute basis, as compensation for the CPP portion of the mobile operators. The discount on PTCL billing was increased from 10% to 20% in case of local calls whereas the discount for NWD & ISD calls remained at 25%. Moreover, the payphone operators were also directed to ensure adequate display of call unit charges.

**Audiotex (Premium Rate) Service Tariff**

The Audiotex or Premium Rate Service in Pakistan offers information and entertainment via telephone. The revenue generated from such calls is shared between the fixed-line operator and the Audiotex service providers. The fixed-line operator is obliged to transport Audiotex calls nation-wide at the uniform rate. The Authority issued a consultation paper

in February 2003 to solicit opinion of all stakeholders regarding reduction in tariff. After considering all the comments and suggestions received in response to the consultation paper, the Authority decided to reduce the tariff. New Tariffs are shown in Table –6.

**Special Pulse of 16KHz on Payphone to Local Mobile Calls**

A determination was issued on July 7, 2003 in which PTCL was directed to generate 16kHz pulse for local mobile calls after duration of 60 seconds each. The payphone operators requested the Authority for the removal of this pulse as they were suffering losses on these calls, due to delay and non-availability of mobile number series. A meeting was held at PTA HQ’s where it was decided that PTCL will check the technical feasibility and will submit a report to the Authority. Subsequently, PTCL informed the Authority that they did not have any technical problem in withdrawing the additional pulse of 16kHz pulse for local mobile calls. Therefore, the Authority decided to amend its Determination of July 7, 2003. The special pulse of 16 kHz was withdrawn through an amendment in the earlier determination. This decision was effective from March 01, 2004.

**PTCL Reference Interconnect Offer (RIO)**

In the deregulated environment, all licensees will have the right to interconnect with PTCL and other licensed operators. In order to expedite the process of interconnection and

Table – 6  
**Audiotex Services Tariffs**

Social Services	3 pulses per minute
Business Information Services	5 pulses per minute
Sports, Chatting & Prize Competition	7 pulses per minute

finalization of agreements, PTCL was required to provide a standard agreement, which shall be treated as a reference. In case, the operators fail to reach interconnect agreement, the Reference Interconnect Offer (RIO) shall be the default agreement binding on both parties.

Pakistan Telecommunication Company Limited submitted its Reference Interconnect Offer (RIO) to the Authority in April 2004, in accordance with the provisions of Telecom Deregulation Policy 2003. The RIO provides the proposed terms and conditions on which PTCL shall provide interconnection facilities to other telecom operators. RIO is one of the most critical documents in the deregulated scenario as the success or otherwise of the policy depends on it.

As RIO has significant effects on new players, the Authority invited all stakeholders to give their comments and views on the said document. For this purpose, the RIO was placed at PTA website. More than four hundred (400) comments and queries were raised on RIO. These comments were studied and sent to PTCL for their response. Resultantly, PTCL was asked to amend certain clauses of their RIO on the grounds of equity and non-discrimination.

In order to resolve the conflicting interest of the PTCL and new entrants, the Authority held a forum in early September 2004 where PTCL and prospective operators were invited to give their viewpoint on the proposed interconnection charges. At present decision of the Authority on PTCL RIO offer is being finalized

and will be known to the operators soon.

### **Interconnect Agreement between PTCL & Card Payphone Operators**

PTCL increased security deposit from Rs. 2500 to Rs. 7500 per connection for payphone operators. Payphone operators resisted this increase. Subsequent to the failure of both parties to arrive at a consensus for resolving the issue, PTA had to intervene. The Authority examined the terms of the interconnect agreement between PTCL and payphone operators and made minor modifications which were accepted by both parties and as a result long awaited interconnect agreements were signed between the PTCL and payphone operators.

### **Co-location Charges**

All PTA licensees have the right to co-locate their equipment and systems with PTCL local and transit exchanges, where space is available. The De-regulation Policy also requires PTCL to provide this facility in transparent and non discriminatory manner, to all licensed operators, upon request.

In 2002, PTCL arbitrarily increased co-location charges, which created hue and cry among private telecom operators. The Authority took cognizance of the issue and several meetings were held at the Authority to discuss and finalize co-location charges. It was agreed that PTCL co-location charges required rationalization. Consequently, PTCL was directed to make co-location charges more cost oriented. As per Authority's directions, PTCL revised

Co-location charges and submitted the same on December 29, 2003. It was observed that the methodology for calculating the collocation charges needed further improvement. After another costing exercise, an agreement was signed between the PTCL and the stakeholders. Later, the Authority issued determination on Co-location Charges, according to the which rate per square foot for Indoor space, Roof Top and Outdoor had been reduced by 59%, 54% and 62% respectively.

### **Direct Interconnect Agreement among Cellular Mobile Operators**

On July 5, 2003 the Authority amended the clause of the Determination regarding direct interconnect agreement among cellular mobile operators. As a result of this amendment it became possible for all cellular operators to pass their traffic, voice and SMS, to other operators without involving PTCL network.

The benefit of this step to consumers is twofold. First, the cost of mobile-to-mobile calls has decreased as no payment to PTCL will be made for such calls. Secondly, the mobile consumers can exchange SMS with other cellular networks which was previously not possible.

### **FINANCIAL ISSUES**

During 2003-04, over nine hundred fifty (950) demand notes were issued

and over three hundred (347) cases of RBS, License Enforcement and Type Approval, that involved financial issues, on different matters were processed. Analysis and evaluation of feasibility reports of over two hundred twenty five (225) applicants, which applied for issuance of VAS license, were made. Over forty (40) working papers/reports on different issues pertaining to recovery and other finance-related issues were submitted to the Authority for consideration and formal decision.

### **Receivable Management**

In the year 2002-03, Rs. 953 million was received. While during the year 2003-04, PTA received Rs. 19,907 million, an increase of Rs. 18,954 million. Fixed Telephony and Mobile Telephony contributed about 89% in total annual license fee receipts of PTA, during the year 2003-04. Receipts from Mobile Telephony regarding annual license fee increased from Rs. 305 million to Rs. 331million during the same period.

The total annual license fee receivables of PTA, reduced drastically (50%) during 2003-04 due to reduction in annual license fee and efficient recovery efforts. Authority had reduced the annual license fee of ISPs/DNOPS and CPPS from 4% to 0.66% and 2% respectively. Details regarding recovery achievements is summarized in Table-7.



Table - 7  
**Recovery Achievements**

(Rupees in Million)

S. No.	Category	2002-03	2003-04
1	Annual License Fee:		
(i)	Fixed Telephony	319	376
(ii)	Mobile Telephony	305	331
(iii)	Card Payphone	40	69
(iv)	ISPs/DNOP	11	14
(v)	Other Services	4	4
2	Initial License Fee	133	17,000
3	Other Receipts	141	2,113
<b>Total</b>		<b>953</b>	<b>19,907</b>

### Annual Accounts Audited

An extensive exercise was undertaken for overhauling the accounting system of PTA, to develop a reliable system for maintaining accounting and financial records. This year has witnessed improvement in quality of accounting records. Strict budgetary control has resulted in no-reallocation of expenses. An item wise computerized fixed asset register has been prepared showing history of each item with its depreciation and current book values. The accounts of 2003-04 were prepared and audited in three months record time period. Detail of Financial Highlights is given in Table-8.

Table - 8  
**Financial Highlights**

(Rupees in Million)

	2003	2004
Income for the year	645	3,739
Total Expenses for the year	156	205
Excess of Income over Expenditure	489	3,534
Annual License Fee Receivables	118	59
Cash Receipts during the year	953	19,907
Amount to be surrendered to GOP	386	17,725
Amount Surrendered during the year	470	694
Addition to Fixed Asset	21	21

Note: Annual Accounts for the year ended June 30, 2004 are at Annex-5.

### Improvement in Internal Control

- ✳ Reply of twenty-one (21) Draft Paras, thirty-six (36) Proposed Draft Paras, seven (7) Advance Draft Paras, one hundred and five (105) Audit Observations of PTA Headquarters, Islamabad and four (4) Zonal Offices, for the year 2002-03, were furnished to the Director General, PT & T Audit, Lahore and the Cabinet Division.
- ✳ Pre-Audit is also performed on all bills/cases exceeding Rs.10,000 and foreign TA bills irrespective of amount.
- ✳ Total 907 bills including imprest accounts of our four Zonal Offices were verified.
- ✳ Reply of Certification Audit Report regarding IBRD loan No. 3950 was furnished to the Frequency Allocation Board (FAB).
- ✳ Revised annotated replies of 14 Paras, published in the Audit Report for the year 2000-2001 and comments on receipt and payment account for the year ended June 30, 2001 were sent to the Director General, PT&T Audit, Lahore as well as Cabinet Division.
- ✳ Up-dated replies of two Audit Reports of the Auditor General of Pakistan for the year 1997-98 & 1998-99 were furnished to the Director General, PT & T Audit, Lahore and Cabinet Division as well.



## Chapter 4 LICENSING

- ⊙ 669 licenses issued to telecom service providers until October 2004
- ⊙ 141 Licenses issued for Value Added Services during the last fiscal year
- ⊙ 12 LDI and 84 LL Licenses issued upto October, 2004
- ⊙ 84 Radio based licenses issued during the year 2003-2004
- ⊙ Annual License fee for value added services was revised
- ⊙ Video Conferencing allowed through hiring leased lines from PTCL
- ⊙ PTCL's GMPCS license modified
- ⊙ Amateur Radio based Service Regulation 2003 prepared
- ⊙ Incentives to ISPs i.e fee reduction
- ⊙ Provision of Audiotex services through all licensed operators
- ⊙ Approval of provision of fixed short messaging services by PTCL

### VALUE ADDED AND FIXED LINE

During the last few years, the congenial and liberal policies

adopted by PTA have created an environment, which is attracting new businesses. When PTA was created in 1996, there were only 21 licensed carriers, however today PTA has issued 669 licenses to different

*...During the last fiscal year, PTA issued 141 licenses to different value added services and 84 to radio based services.*

service providers. This shows a tremendous growth in the range of services and the development of competitive environment. Year wise growth trend of licenses issued is indicated in the Figure - 7.

The Authority received 180 applications for Value Added Services Licenses, during the year 2003-2004. 141 license are issued so far against these applications, whereas, 39 applications are still under process. A breakup of licenses issued during the year 2003-2004 is given in the figure-8 and details are attached at Annex-6. As discussed in Chapter-2, PTA also issued licenses for fixed line and mobile cellular services during the year. A total of 12 LDI and 84 LL licenses were issued in addition to 2 technology neutral mobile cellular licenses.

Figure - 7

### Yearly Increase in Licenses upto October 2004

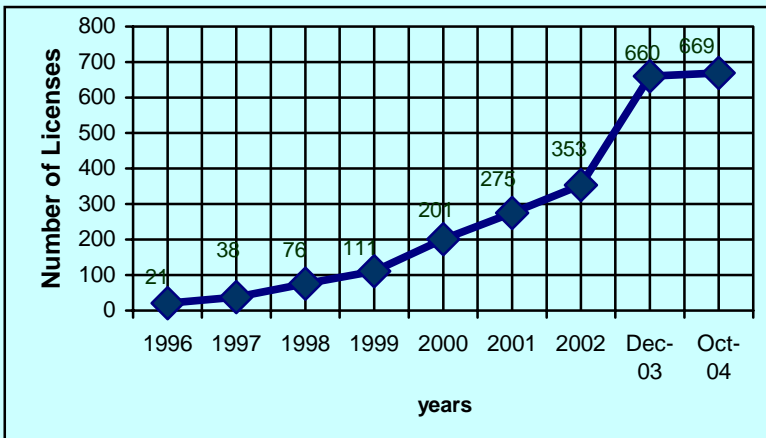
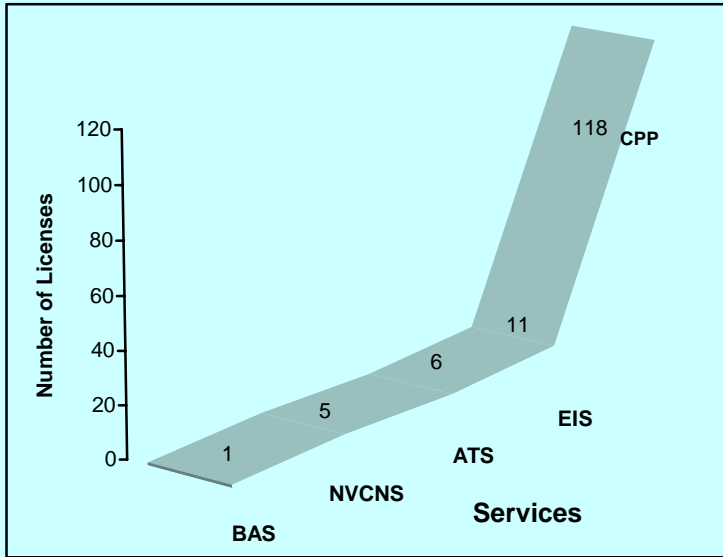


Figure - 8

### Licenses issued during the year 2003-2004 of Value Added Services



### RADIO BASED

Radio based services licensing covers Cellular Mobile Communication, Amateur, Aircraft, Ship & Coastal, HF/VHF/UHF Private Land Mobile/Fixed, Radio Trunking, GMPCS, Microwave, WLL, VSAT, Point to Point and Point to Multi Point radio data networks and registration of satellite communication service providers. PTA receives applications for frequency allocations and grants licenses for these services. The applications are processed and forwarded to Frequency Allocation Board (FAB) for allocation of frequencies and site clearance of the Radio base stations. On receipt of allocation of frequency spectrum by FAB, the PTA issues the license. Similarly, applications for site clearance of Spread Spectrum Radio links in the deregulated frequency band, narrowband radio links, VSAT links and BTSs/RBSs of cellular mobile networks and Radio

Trunking networks are also processed and disposed of.

The details of licenses, renewals, demand notices, site clearances and cases forwarded to FAB for frequency/site clearance during the period July 1, 2003 to June 30, 2004 are attached at Annex-7.

### DIRECTIVES AND AMENDMENTS

During the year, PTA has initiated a number of activities, aimed at improving licensing processes and promoting new services. In this regard, necessary amendments in the licenses were made, existing license regulations were modified and consultancies were hired to introduce new services etc. A brief description of the activities carried out by the Authority is described below:

#### Amendment of the existing value added service license

Amendment in the license of card payphone services were made. Whereas 58 licenses of ISP's and DNOPS were amended as a result of respective determinations issued by the Authority. In order to facilitate the operator, annual license fee was revised to promote this service.

#### Review of the Existing Regulation of Value Added Services Licensing

Existing regulations pertaining to the value added services like CPPS, EIS, VTS, NVCNS, BAS were reviewed. In this regard, proposed amendments were sent to the committee and Authority approved the regulation in the light of new policy to promote the investment of small entrepreneur.

### **VoIP Agreement with PTCL**

Pakistan Telecommunication Company Limited (PTCL) concluded agreements with different companies for VoIP services.

After deliberated upon the matter in the light of current De-regulation policy, it was decided that PTCL shall not make new O&M Agreements for VoIP services. Existing agreements also should not be extended.

### **Video Conferencing Services**

The companies requested PTA that DNOP and EIS licensees may be allowed to provide the video conferencing services without obtaining a separate license. After hectic in house discussion it

was decided that status quo be maintained and companies may provide the video conferencing services to consumers only through hiring leased lines from PTCL or any fixed line operator like LL/LDI. As video conferencing involves two way voice conversation and falls under basic telephony as per Pakistan Telecommunication Reorganization Act (1996). Therefore, EIS licensee can not be permitted to infringe the rights of fixed line operators.

### **Provision of DSL Services by ISPs**

To promote the broadband internet services in the country, PTCL was asked to go ahead with the agreements to be concluded with the ISPs for the provision of DSL services and sign interconnect agreement accordingly. PTCL forwarded the interconnect agreements with the companies for

the approval. Legal, tariff and technical aspects were analyzed in depth and observations were raised which have been communicated to PTCL for inclusion in the interconnect agreements.

### **GMPCS Modified License**

On the request of M/s PTCL, the Authority decided to modify the PTCL GMPCS License. The modified license grants permission to the licensee to provide GMPCS services on non-exclusive basis of all the GMPCS operators having foot prints in Pakistan.

### **Amateur Radio Services Regulations – 2003**

*On the request of M/s PTCL, the Authority modified the PTCL GMPCS License.*

Regulations on Amateur Radio Services have been prepared. These regulations cover the eligibility condition of the license, the examination to be conducted, fee for license, termination of license, status of portable and mobile operation, issues relating to change of location, issuance of duplicate license, cancellation of license, log book and frequency plan etc. This will help streamline all issues relating to Amateur Radio Services.

### **Incentive to small ISPs**

To promote telecom system and services in the country, PTA always endeavours to provide incentives to the operators. In this regard, license category and license fee of EIS service was modified.

- ✦ Following two types of licenses will be issued for ISPs in future with fee as shown against each:-

- PTCL region Rs.100,000/-
- National Rs. 300,000/-

- ✿ Existing licenses of district/provincial level will be upgraded to regional and national level.

### **Provision of Audiotex Service and interconnection through all licensed operators**

At present, Audiotex operators are allowed to interconnect with PTCL only. Now as PTCL monopoly has expired, PTA has taken a decision for allowing interconnection to Audiotex licensees with all licensed operators including cellular and fixed line operators.

### **Provision of Fixed Short Messaging Services**

PTA has allowed PTCL for provision of fixed short messaging services in order to promote new services to end users. Previously, the services were only being provided by the cellular operators.

### **Revision of annual license fee for value added services**

Fee structure for value added services has been rationalized to provide incentives to telecom operators with effect from July 1, 2004. CMT operators and fixed line operators annual license fee has been abolished for VMS and VCS with effect from July 1, 2004 onward. A complete detail of the incentives given to the telecom sector is placed at Annex -8.



## Chapter 5

### CONSUMERS INTEREST

- ⊙ Rs. 1,292,000 fined to 1476 Card Payphone PCOs for violation of PTA approved tariff
- ⊙ PTA received and disposed of 5659 complaints
- ⊙ 630 PCOs operating illegally on long range cordless were closed
- ⊙ 214 inspections and 20 surveys were carried out
- ⊙ Activation tax on cellular mobile phones was reduced to 50% by Government on the recommendations of PTA.
- ⊙ CMT operators were allowed to use cellular mobile phones as PCOs.

### INVESTIGATIONS

During the year, a total of 214 inspections were carried out and 5659 complaints were dealt. 20

Surveys were carried out, 27 show cause and 41 notices of violation were issued, 55 hearings were conducted and fines were imposed on 1476 PCOs. Detail of these findings shown in Table-9.

PTA Complaint Cell received and disposed of 3541 complaints from June 2003 to 2004.

Maximum numbers of complaints received were against PTCL, followed by Mobilink and card pay phone operators.

Table - 9

#### Investigations Report

	Mobile	PTCL	ISPs	CPP	Others	Total
Inspections	21	92	78	20	3	214
Surveys	17	-	1	1	1	20
Complaints	797	3697	233	932	-	5659
Show cause notices	-	-	13	14	-	27
Court cases	-	1	1	10	17	29
Notice of violation	-	3	1	2	35	41
Withdrawal of licenses	-	-	-	2	-	2
Hearing	1	6	10	38	-	55
Fine imposed	-	-	-	1476 6 (PC Os)	-	1476
Determination	1	1	2	5	-	9
Raids	-	-	-	-	9	9



## Surveys/Inspections

PTA endeavors to ensure that consumers get good quality and trouble free services at affordable rates. For achieving this, PTA through its Zonal Offices at Peshawar, Islamabad/Rawalpindi, Lahore, Karachi and Quetta conducted surveys for all major service providers which include Fixed line, Mobile and Internet Service Providers throughout the year. Service wise details on these activities are as under:

### 🌟 Pakistan

#### Telecommunication Company Limited (PTCL)

Presently, reliance of the entire industry is on PTCL Infrastructure. Technical inspection of various PTCL exchanges were carried out

*The Authority taking cognizance of the poor QoS and its overall performance, apprised PTCL about the deficiencies in PTCL Service and Standards*

by Zonal PTA offices. The performance of these exchanges were assessed, keeping in view parameters like new connections provided, shifting of telephones, billing errors, complaints, faults/interruption and services being provided to the subscribers.

The results of these inspections and surveys revealed many inadequacies in PTCL services.

*During the year, a total of 214 inspections were carried out and 5659 complaints were dealt, 20 Surveys were carried out, 27 show cause and 41 notices of violation were issued, 55 hearing were conducted, on 1476 PCO's fine was imposed and 2 licenses were withdrawn.*

Service quality of PTCL was found lagging behind the standards laid down in the license conditions. The

Authority taking cognizance of the poor QoS and its overall performance, apprised PTCL's management about the deficiencies. Based on these results, PTCL was pursued for betterment of its services.



### Cellular Mobile

#### Mobilink

A special survey was conducted at Lahore, Karachi, Rawalpindi/Islamabad and Bahawalpur. The survey results showed that Mobilink's overall performance was below the license standards. The company was directed accordingly to improve its services.

#### Ufone

Ufone has recently restarted sale of new connections. Sale of new connections have badly affected the quality of

*.....major cause of sudden drop in Ufone quality/performance was due to the excessive sale of new connections*

service of Ufone as complaints regarding

congestion, echo and noise in the service were largely received.

In addition to above, following complaints were also received against Ufone:

- ✿ GPRS is highly congested.
- ✿ Charging for unsuccessful calls.
- ✿ Charging 50 paisas per call for balance enquiry from prepaid subscribers whereas none of the other operators are charging on this account.
- ✿ Instances of black-marketing by outlets/franchisees have been reported at Kohat and Peshawar.

Taking exception to the above situation, Ufone was directed to take immediate steps for the improvement in quality of service and other aspects/issues for which complaints were received.

### **Instaphone**

The services of M/s. Instaphone deteriorated rapidly during the year. A special survey was conducted at Lahore, Karachi, Islamabad and Burewala to assess quality of service of Instaphone. The calls were made during peak hours for realistic analysis. The survey results revealed that

the performance of Instaphone had dropped to a level far below the license standards. Consequently, the company was directed to improve its performance.

*As a result of these surveys, QoS of all Mobile Companies has shown considerable improvement. However, a lot is yet to be done. The exercise will continue till the performance/QoS is improved upto the satisfactory level of end users and international bench marks.*

### ✿ **Internet Service Providers**

Inspections of 78 ISPs were conducted during the year. The parameters included number of users, bandwidth in use, the capacity of various servers installed, access lines available and bandwidth being provided through radio links. Observations were conveyed to concerned companies for taking necessary steps for improvements. Major companies which were inspected included: Supernet, Cyber Access, Comstar, Instanet, CyberSoft, Gerrysnet, Pakent, Go Net, Dancom, Pakfree, Hermes On Line, Global Communication.

### ✿ **Card Payphone**

To check the quality of service of pay phones, inspection/monitoring of equipment installed by the licensees was done on monthly basis.

*.....the survey results revealed that the performance of Instaphone had dropped to a level far below the license standards*

To ensure that the card payphone companies conform to PTA approved tariff, Zonal Offices inspected about 18 major Card Payphone Companies outlets. Stern actions were taken against the defaulters for overcharging. A total of 1942 inspections of PCO outlets were carried out and 1476 violations of tariff were noted. Fine as per policy in vogue was imposed on all the violators and an amount of Rs.1,292,000/- collected under this account.

### FREQUENCY MONITORING

On the basis of reports received from FAB, actions were initiated against

organizations/departments using frequencies illegally. Different PCOs operating on long range cordless were closed through PTCL. Detail is shown in Table -10.

### USE OF CELLULAR MOBILE PHONES AS PCO

Telecom facilities in rural areas are very scanty and improving accessibility in these areas is priority of government policy. In this regard, it was decided that individuals or companies may be allowed to use mobile phones as PCO where PSTN is not available. For this purpose, an advertisement in the media was given so that the interested parties can establish mobile phone PCOs. This facility will greatly improve accessibility in far flung areas.

Table - 10

#### Frequency Monitoring Report

S. No.	Region	PTCL	NTC	Mobile (Paktel)
1	Lahore	164	-	-
2	Karachi	102	8	-
3	Rawalpindi	70	4	-
4	Peshawar	243	-	16
5	Quetta	38	1	-
<b>Total</b>		<b>617</b>	<b>13</b>	<b>16</b>



## Chapter 6

### INTERACTION WITH INTERNATIONAL TELECOM ORGANIZATIONS

- ⊙ Pakistan is interacting on many important issues of mutual interest with international bodies like SATRC, ITU, APT, CTO and SAFIR
- ⊙ PTA first time hosted SATRC meeting in Islamabad
- ⊙ ITU is providing assistance for establishment of Cisco Networking Academy Programme (CNAP) on IP Networking / Internet related issues and has offered assistance in Health and Education sector.
- ⊙ Participation in SAFIR activities
- ⊙ CTO membership is being reactivated

#### INTRODUCTION

In this globalized world, rapid changes are taking place in the field of telecommunication and Information Technology. All this has not only changed the traditional diplomacy but also changed the approaches to international relations among the nations. The relationship of the countries are being reshaped and replaced by inter-country technical and scientific cooperation. The process of communicating and executing negotiations through diplomatic channels is replaced by mutual studies and consultations. All countries are therefore emphasizing on mutual relationships for assistance and development of

their telecom sector. Pakistan is an active member of all relevant international telecom organizations.

#### SOUTH ASIAN TELECOMMUNICATION REGULATORS' COUNCIL (SATRC)

The proposal for the establishment of a South Asian Regulators' Council and its proposed Terms of Reference were discussed during the ITU Regulatory Forum for South Asian





countries held in Male, Maldives from 8-9 October 1996. It was suggested that the Regulators' Council should function under the auspices of the APT. There was unanimous agreement among the members about the need to form the South Asian Telecommunication Regulators' Council. Objectives of SATRC are as follows:

- Facilitate the exchange of views on the key regulatory issues of concern to the SATRC members.
- Share experiences on the impact of policy and regulation by the new technologies.
- Further accelerate the work on policy and regulation towards a harmonized regulatory environment.
- Arrive at a consensus for a sub regional numbering plan for special services
- Arrive at a consensus for a sub-regional interconnection model

#### **Member of SATRC**

Members of the South Asian Telecommunications Regulators' Council (SATRC) consist of Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan and Sri Lanka.

#### **SATRC Meetings**

- ✦ **First SATRC** meeting was held in Colombo, Sri Lanka from the 1st to the 3rd of May 1998.
- ✦ **Second SATRC** meeting was held in New Delhi, India from the 29th to the 30th of April 1999.
- ✦ **Third SATRC** meeting was held in Thimphu, Bhutan from the 19th to the 21st of March 2001
- ✦ **Fourth SATRC** meeting was held from the 17th to the 19th of December 2002 in Dhaka, Bangladesh.
- ✦ **Fifth SATRC** meeting was held from 3 to 5 September 2003, in Katmandu, Nepal

✿ **Sixth SATRC** meeting was held in Islamabad from 20-22, September 2004. Following countries participated in the meeting:

- ◆ **Afghanistan**
- ◆ **Bangladesh**
- ◆ **Bhutan**
- ◆ **India**
- ◆ **Iran**
- ◆ **Nepal**
- ◆ **Pakistan**
- ◆ **Sri Lanka**

#### **6<sup>th</sup> SATRC Meeting main issues of focus**

- Regulatory reforms in South Asia
- Key regulatory issues for SATRC members
- Universal Service Obligation
- Numbering issues
- Licensing issues
- Performance Indicators & QoS
- Tariff rebalancing
- Interconnection and Convergence
- Broadband policy

#### **Recommendations**

Recommendations of 6<sup>th</sup> SATRC meeting are given Annex-9

## **INTERNATIONAL TELECOMMUNICATION UNION (ITU)**

Pakistan joined International Telecommunication Union on 26<sup>th</sup> August 1947, which enabled us to actively participate in the elaboration and adoption of decisions both on the current technical and strategic matters of the ITU.

Pakistan remained a member of the ITU Council for four consecutive terms. It was elected for the first time to the ITU Council in 1982 at Nairobi

(Kenya) and re-elected at Nice (France) in 1989, Kyoto (Japan) in 1994, Minneapolis (USA) in 1998, and Marrakech in 2002. In addition to this, Pakistan's candidate Mr. Muhammad Javed, Ex-Chairman PTA was also elected as a Member of the Radio Regulation Board (RRB) during the PP-98 held in Minneapolis, USA. Likewise Mr. Akhtar Ahmed Bajwa, Ex-Chairman PTCL also won the membership of RRB in the elections held during PP-02. Pakistan is contributing and focusing on many important issues of mutual interest of the ITU Member Administrations for growth and development of the telecommunication sector. Pakistan has actively participated in World Summit on the Information Society (WSIS) and Global Symposium for Regulators organized by ITU. Through this participation we have benefited in improving the Regulatory Capacity Building and promotion of ICT Development.

#### **ITU Assistance**

ITU is consistently providing technical and capacity building support to Pakistan for development of telecom sector. Brief detail is as under:

- ✿ Under capacity building Programme, Pakistan Telecom Authority approached the International Telecommunication Union (ITU) for establishment of IP Networking/Internet Academy. ITU has approved the subject proposal and the same is being implemented with collaboration of CISCO Networking Academy (CNAP) at National Post Graduate Institute of

Telecommunication and Informatics (NPGIT &I) , Islamabad under the umbrella of Pakistan Telecommunication Company Ltd (PTCL). The setup of training centre consist of three phases:

- Training of Trainer
- Transfer of Training Material
- Start of IP training activities

The centre will run on non profit basis.

- ✳ The ITU invited proposal for Distance Learning Education Project. The project consists of Health Care /Telemedicine and Distance Learning Education. The same has been sent to Ministry of Health and Ministry of Education for preparation of a comprehensive project Proposal for ITU. The Project proposal of Allama Iqbal Open University forwarded by Ministry of Education has been sent to ITU.

## **ASIA PACIFIC TELECOMMUNITY (APT)**

Pakistan became member of APT on 1<sup>st</sup> July 1979. Pakistan Telecommunication Authority is the member Administration on behalf of the Country and is contributing annual membership fee. Previously, Since 1979 when Pakistan joined APT, it is providing assistance in capacity building of our professionals in various programmes from time to time and has provided expertise on the different telecom issues. During the Year-2003 APT has provided

training opportunities to our 15 officers on various telecom related issues. APT has offered consultancy on Radio licensing related Issues. Consultant Mr. David Court from Australia, successfully completed study on the issue and submitted a report in this regard.

## **SOUTH ASIA FORUM FOR INFRASTRUCTURE REGULATION (SAFIR)**

Pakistan Telecommunication Authority became member of South Asia Forum for Infrastructure Regulation (SAFIR) in 2002. Current Chairman of SAFIR is Lt Gen (R) Saeed uz Zafar, who is the Chairman of NEPRA (National Electric Power Regulatory Authority), Pakistan. Mr. Muhammad Ahsan Jaffri, DG (Technical), PTA has participated in SAFIR Steering Committee Meeting (9-10 December 2002 Sri Lanka). DG (Finance & Tariff), Director (Economics), and Director (Tariff) have been nominated to participate in the 6<sup>th</sup> Core Training Programme on Infrastructure Regulations and Reforms (3-11 October 2004 at PC Bhurban, Murree).

## **COMMONWEALTH TELECOMMUNICATION ORGANIZATION (CTO)**

Pakistan remained the member of Commonwealth Telecommunications Organization (CTO) and was contributing annual membership fee till October 1999. However, Commonwealth suspended the membership of Pakistan in all their organizations like CTO, due to non existence of democracy in Pakistan with effect



from November 1999. Now, CTO has offered PTA to become its member and the case of its membership (Full

membership / PDT Partner) is with Government of Pakistan, for seeking formal approval.



## Chapter 7

### LAW AND REGULATIONS

- ⊙ 13 Regulations sent for Gazette Notification
- ⊙ Nineteen (19) hearings on different issues were conducted and determinations issued thereon.
- ⊙ Fourteen (14) show cause notices issued
- ⊙ 10 out of 24 court cases against Authority disposed of
- ⊙ A total of 55 terminal equipment type approved
- ⊙ 4-digit short codes planned to be allocated to the LDI and LL operators

### INTRODUCTION

One of the basic regulatory objective of the Authority is to develop a systematic regulatory approach; which not only benefits the end users but also contributes to the development of efficient telecom industry. To achieve this objective, the Authority prepared comprehensive regulations on different issues. These regulations have been sent to the government for notification.

### REGULATIONS

During the year following regulations were revised and approved for Gazette Notification:

- ✳ Pakistan Telecommunication Authority (Functions & Powers) Regulations, 2004
- ✳ Type Approval Regulations, 2004
- ✳ Amateur Radio Wireless Regulations, 2004
- ✳ Regulations regarding registration of Satellite Service providers in Pakistan, 2004
- ✳ Interconnection Dispute Resolution Regulations, 2004

- ✳ Pakistan Telecommunication Authority Employees Service Regulations, 2004
- ✳ Non Voice Communication Network Services Regulations, 2004
- ✳ Burglar Alarm Service Regulations, 2004
- ✳ Vehicle Tracking Service Regulations, 2004
- ✳ Audiotex Service Regulations, 2004
- ✳ Fixed Line Tariff Regulations, 2004
- ✳ Trunk Radio Services Regulations, 2004
- ✳ Card Pay phone service Regulations, 2004

Besides, Internet over Cable Regulations 2001; GMPCS Regulations, 2004 and Universal Service Obligation (USO) Regulation, 2000 have been withdrawn.

### LITIGATION AND ADJUDICATION

Pakistan Telecommunication (Re-organization) Act, 1996 Section 4(f) empowers the Authority to investigate and adjudicate matters

relating to the telecom between licensees.

### Hearing & Determinations

During the year, the Authority conducted nineteen (19) hearings on the complaints and appeals received from licensees as well as cases remanded from High Court and drafted/issued determinations thereon. Most of the complaints were lodged by PCO holders against the Card Pay Phone (CPP) licensees for refund of securities. The second highest ratio of the cases was regarding the change in management of the licensees. Remaining cases were concerning tariffs violations by CPP licensees, transfer of lines and illegal voice termination and illegal frequency links and use of frequency without getting license from the Authority. A brief account of important determinations/decision is given below:

#### ✿ M/s Software (Pvt.) Ltd

M/s Software (Pvt.) Ltd. filed an application before the Authority and Honorable Wafaqi Mohtasib for refund of excessive amount paid by the licensee in lieu of annual license fee and royalty. PTA pursued the matter vigorously before the honorable Wafaqi Mohtasib who dismissed the complaint and advised the licensee to file appeal before the Authority for redressal of the grievance. The Authority analyzed the matter and concluded to refund an amount of Rs.400, 000/- to the

licensee, which was considered charged excessively.

#### ✿ M/S Worldcall Communication (Pvt.) Ltd.

M/s WorldCall Communication (Pvt.) Ltd. filed a writ petition before the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi regarding allocation of four digit access number of its prepaid calling card services.

The Honorable High Court disposed of the writ petition with a direction to the Authority to settle the case, within four weeks in accordance with the law. The licensee and PTCL unanimously reached to an agreement. Hence, the Authority on 30<sup>th</sup> January 2004 disposed of the complaint, as the complaint was withdrawn.

#### ✿ M/S Zahoor Azam & Co (Pvt.) Ltd.

The company without seeking prior approval of the Authority executed a sale agreement for complete transfer of ownership of its PTCL lines and all related equipments installed at PTCL exchanges of RTR Region in favour of M/s Ace Quality (Pvt.) Ltd. This amounts to violation of Section 21(4)(j) of the Act, Rule 11(1) of Pak Telecom Rules, 2000, Regulation 14(1) of PTA (Functions and Powers) Regulations, 2000 and condition 3.20 of the license. The hearing was held on 13<sup>th</sup>

*... nineteen (19) hearings were conducted and determinations issued against the appeals from licensees.*

May 2004 where it was decided that though the licensee has failed to abide by the aforementioned mandatory provisions. However, section 4(d) and section 6(f) of the Act provides that the Authority must protect the interest of the users and any severe action against the licensee may create hardships for CPPs and PCO users, hence, the said transfer of lines was approved subject to the clearance of outstanding dues of 490,000/-, to be paid within ten days of the determination.

#### ✿ **M/S Netsol Connect (pvt.) Ltd.**

The licensee without seeking prior approval of the Authority introduced change in the board of directors of the company in violation of Section 21(4)(j) of the Act, Rule 11(1) of Pak Telecom Rules, 2000, Regulation 14(1) of PTA (Functions and Powers) Regulations, 2000 and Clause 2.12 of the license. *The* hearing was held on 22<sup>nd</sup> April 2004 that the licensee had failed to abide by the aforementioned mandatory provisions. Hence, the hearing panel imposed a fine of Rs. 10,000/- (ten thousand) and directed the licensee to submit certified copy of Form 29 along with the payment of fine to the Licensing Division within fifteen days of receipt of the determination.

#### ✿ **Other Determinations**

Various licensees, changed names and managements of their companies or closed operation, without prior approval of the Authority. In this regard, hearing were conducted and determinations were issued to M/s Global System networks (pvt) limited, M/S TOOR TECHNOLOGIES (PVT.) LTD, M/S HANCOM SYSTEM (PVT.) LTD, M/S WORLDTEL MECA (PVT.) LTD, M/S GO INTERNET & SOFTWARE SERVICES (PVT.) LTD, M/S TELEFAST (PVT.) LTD, M/S PAKFREE (PVT) LIMITED, M/S ONLINE (PVT) LIMITED, M/S SOFTEL (PVT) LIMITED.

#### **Decisions on Appeals**

##### ✿ **M/s Future Telecommunication (pvt.) Ltd.**

The licensee filed an appeal on 26<sup>th</sup> May 2003 against the determination dated 19<sup>th</sup> May 2003, for restoration of license suspended due to non-payment of outstanding dues of PTA/PTCL and non-settlement of complaints of PCO holders against the licensee in Peshawar Region. Hearing was held on 10<sup>th</sup> June 2003, it was decided that the licensee will submit all the required documents by 28<sup>th</sup> June 2003. On the stipulated date, the licensee appeared before DG (L&R) and submitted the details of outstanding dues but failed to submit NOC from PTCL as per decision of the Authority regarding the outstanding

dues even after the lapse of more than two weeks. Hence, the appeal was dismissed for non-compliance of the Authority's directions.

- ✿ **M/S Zee Telecom (Pvt.) LTD.**  
This appeal was filed before the Authority on 28<sup>th</sup> October 2003 against the determination dated 30<sup>th</sup> September 2003 issued by the Authority. A fine of Rs. 200,000/- was imposed on the licensee for the violation of change of management without seeking prior approval of the Authority. The Authority admitted the appeal on 31<sup>st</sup> January 2004 and reduced the fine from Rs. 200,000/- to Rs. 10,000/-(ten thousand) to be paid within fifteen days of the receipt of the determination. The licensee was further directed to submit all its financial and technical reports of the company to the Licensing Division within thirty days. It was also advised that no such change in future should be made without seeking prior approval of the Authority.

- ✿ **M/S Telecard (Pvt.) LTD.**  
The license of M/s Telacard (Pvt.) Ltd. was suspended on 2<sup>nd</sup> October 2003 due to non-compliance of determination passed on 9<sup>th</sup> September 2002. The Zonal Director, Peshawar passed a determination on the tariff violation by the licensee and imposed a fine of Rs.100,000/-. Which was reduced to

Rs.40,000/- by the Authority in appeal. The licensee, even after lapse of one year, neither replied nor complied with the determination by paying the fine. Consequently, the license was suspended for non-compliance. The licensee filed an appeal to the Authority against the suspension order and deposited the fine of Rs. 40,000/-. The Authority admitted the appeal and decided to restore its license and directed PTCL to restore forthwith the telecommunication facilities to the licensee.

- ✿ **M/S World Telecom (Pvt.) LTD.**  
The license of M/s World Telecom (Pvt.) Ltd was suspended on 29<sup>th</sup> October 2003 due to non-payment of out standing dues. The licensee filed an appeal against the said determination issued by the Authority. The licensee deposited Rs. 50,000/- from the total outstanding dues of Rs. 625,000/- as mentioned in determination vide No. 15-1/ Fin/PTA dated 29<sup>th</sup> September 2002. Hearing was held on 10<sup>th</sup> October 2003, where the Authority admitted the appeal of the licensee and decided to restore its license with a direction to PTCL to restore forthwith the telecommunication facilities to the licensee.

**☀ M/S Micronet Broadband (Pvt.) LTD. (DSL Case)**

This appeal was filed by M/s Micronet Broadband (Pvt.) Ltd. and others against the order of Director (licensing) dated 19<sup>th</sup> April 2003 wherein all Internet Service Providers (ISP) having two Point of Presence (POPs) and two years experience as ISP were allowed to provide DSL services. Hearing was convened on 29<sup>th</sup> September 2003. The Authority after hearing the arguments of all the parties, dismissed the appeal on 11<sup>th</sup> October 2003 and maintained the order of the officer, in the light of de-regulation policy.

**☀ M/S Nexlinx (Pvt.) LTD.**

M/S Nexlinx (pvt.) Ltd. Filed an appeal against the determination dated 15<sup>th</sup> July 2003 passed by the Zonal Director Lahore regarding illegal Voice over Internet Protocol (VoIP) setup for international call termination. The hearing was conducted on 20<sup>th</sup> September 2003. The Authority after hearing the licensee/appellant concluded that the licensee/appellant has violated the license conditions 2.11, 5.6 and 5.7. Hence, the appeal was rejected and determination passed by the Zonal Director remain intact.

**M/S AH Telecom (Pvt) Ltd and M/S Talk Tel (Pvt) Ltd**

The licenses of M/S AH Telecom (Pvt) Limited and M/S Talk Tel (Pvt) Limited were suspended on violation of the Rules and Regulations and inability of the companies to redress the public complaints.

**Court Cases**

During the last year 24 cases were filed against the Authority before the Lahore High Court, Rawalpindi Bench, Sindh High Court, Wafaqi Mohtasib and Civil Courts. The details of court cases filed in this year are shown in Table – 11.

In all these cases the Authority has

Table - 11  
**Court Cases**

No	PTA OFFICE	CIVIL COURT		HIGH COURT		WAFaqI MOHTASIB
		CIVIL	CRIMINAL	WRITS	APPEALS/ SUITS	
1	KARACHI		3	1	4 (SUITS)	
2	LAHORE	1	1			
3	PESHAWAR	4				
4	QUETTA					
5	RAWALPINDI			4	2	
6	ISLAMABAD	3				1

complied with the orders of the Honorable Courts by submitting parawise comments and reports. During the year, a total of 10 cases were disposed of by the courts filed against the Authority. A brief detail of an important case is given below:

**☀ Drex Technologies Vs Space Telecom and Others**

The case titled Drex Technologies SA vs M/s Space Telecom was one of the important case decided during the current year. M/S Space telecom was declared

successful in open bidding of cellular Mobile license by PTA. The company was required to deposit 50% of auction winning price within 30 days, which could not be made. M/s DREX TECHNOLOGIES (one of its consortium member) approached the courts of law in Pakistan and requested that PTA may restrain to award the license to the next bidder. The Authority pursued the case vigorously and finally court allowed the Authority to award license to next highest bidder.

## TECHNICAL REGULATION

The Authority develops technical standards for the industry for the provision of efficient telecom services. Efficiency in planning and allocation of natural resources like numbering is one of the main concerns of PTA. Hence this year type approval procedures were revised to facilitate the industry. In addition, issues related to telecommunication numbering and coding were also dealt with. A brief detail of the activities is given below:

## Exemption of IT Related Equipment from Type Approval List

To promote and encourage ICT, Type Approval on some of the IT related equipments like routers, IP Telephony gateways, firewalls, Remote Access Servers, Switches Bandwidth Controllers, Cable Voice Adopters & Soft switches was withdrawn. This step has been hailed by the manufacturers, vendors and users of the telecom equipment. Type Approval procedures have also been simplified to facilitate the telecom industry.

## Type Approval of Terminal Equipment

Equipments type approved during the period July 2003 to June 2004 are shown in Table-12.

Table - 12  
**Type Approved Equipments**

Sr.#	Name of Equipment	1 <sup>st</sup> Quarter 2003	2 <sup>nd</sup> Quarter 2003	3 <sup>rd</sup> Quarter 2004	4 <sup>th</sup> Quarter 2004	Total
1	PABX	02	-	-	-	02
2	Telephones Sets	-	-	-	-	-
3	Fax Machine	02	03	-	01	06
4	Card Pay Phones	02	01	-	02	05
5	LPU	01	01	-	02	04
6	Modem	01	-	-	04	02
7	DECT Phone	01	01	-	-	02
8	Wireless Equipment	-	06	05	08	19
9	Security Devices	-	02	-	-	02
10	Misc.	05	03	-	-	08
11	WLL	-	-	01	-	01
12	Cordless Telephone	-	-	-	01	01
<b>Total</b>		<b>14</b>	<b>17</b>	<b>06</b>	<b>18</b>	<b>55</b>



## Matters Relating To Numbering

4-digit short codes are planned to be allocated to the LDI operators for Carrier Selection as well as to LL operators for IN based services. The numbering resources comprising 7-digit for 2-digit NDC and 6-digit numbers for 3-digit NDC have been planned for allocation to the LL operators. Other necessary codes to be allocated are National Signalling Point Code (NSPC) for the switches of the operators and the International Signalling Point Code (ISPC) for establishment of International Gateway for LDI operators.

The following numbers have also been allocated to different organizations/ companies:

- ✳ 4-digit short code 1332 has been allocated to Civil Defence Control Room of City Government Lahore.
- ✳ 4-digit short code 1333 has been allocated to Railway Police Helpline Center at Country wide basis.
- ✳ 4-digit short code 1334 has been allocated to CDA Helpline Service under the area of their jurisdiction.
- ✳ 7-digit numbering plan has been further allocated to new cities as well as the existing cities of operation to M/s Ufone, M/s Paktel, Ms/ Instaphone and M/s Mobilink. Furthermore, 7-digit numbering plan to M/s Paktel for E-GSM services has been allocated.

✳ National Signalling Point Codes (NSPCs) have been allocated to M/s PTCL for their switches in different cities.

✳ Premium Rate Service (PRS) numbers has been allocated to as given Table-13.

Table No. – 13

### Premium Rate Service Nos.

0900-123-xx	M/s Cyber Internet Services (Pvt) Ltd.
0900-102xx	M/s HERMES-ON-LINE (Pvt) Limited.
0900-103xx	M/s Teledata Pakistan Corporation (Pvt) Limited, Karachi.
0900-105xx	M/s Macromedia Communications (Pvt) Limited, Karachi.

## In-House Telecom Wiring

The In-House Telecom Wiring Policy (Terms & Conditions) has been revised with a view to make it more simple, effective and practicable.

- ✳ Registration of Contractors for residential buildings has been abolished and no certificate by the Contractors in this regard will be required in future.
- ✳ Procedure for registration and issuing of certificate for commercial buildings shall continue as per procedure in vogue.

The registration of In-House Telecom Wiring of M/s Siemens Pakistan Engineering Co. Ltd. at national level; M/s Sadaat Enterprises, M/s AKS & Co., M/s Anwar Ali and M/s Al-Hamza Enterprises at provincial level; M/s Bridge Communications and M/s Bell Technique Communications at district level were renewed upto December 31<sup>st</sup> 2004.

### Short Codes for IN Based Services

4-digit short access codes for intelligent network based services have been allocated (see Table-14).

**Table - 14**  
**IN Based Services Codes**

S. No.	Name of Service	Code Allocated
1.	PTCL Pre-Payment Telephony Call Flow	1224
2.	PTCL Pre-Payment Telephony Management Flow	1225
3.	PTCL Telephone Bill Payment Number	1226
4.	PTCL Access Code for Pre-paid Calling Card Services	1010 & 1012

### National Destination Codes

Mobile Network have been allocated National Destination Codes (see Table -15).

**Table No. -15**  
**National Destination Codes**

No.	Name of Company	NDC
1.	M/s SCO (for its GSM services in AJ&K and Northern Areas)	0335
2.	M/s Paktel (for its GSM services)	0304
3.	M/s Telenor Pakistan	0345
4.	M/s Warid Telecom	0321

## Chapter 8 CONSULTATIONS AND PUBLICATIONS

- ⊙ Publications
- ⊙ Consultation papers/studies
- ⊙ Report on Telecom Reforms in Pakistan
- ⊙ Report On Development Of Telecommunication in Rural Areas

### INTRODUCTION

The Authority continues to provide upto date and reliable information to the stakeholders. For the purpose, Industry is consulted through consultation papers, working papers and holding seminars and public forums. The purpose of such consultation is to involve the stakeholders in policy making, for development and improvement of the sector. Through this process, the Authority can proactively deal with the important issues and problems related to the industry.

During the year, the print and electronic media was used to reach out the masses in explaining PTA point of view on different issues. Various activities of the Authority were accorded extensive coverage and prominent display in both the print and electronic media. Over the year, 33 Press releases about various functions and activities of the Authority were issued. Seven clarifications/rebuttals were issued to give factual position and negate misreported items. Besides, 58 interviews of the Chairman and Members of the Authority were

electronic media.

In addition to above, during the year the Authority prepared reports, studies, working papers and issued various consultation papers for information and getting feedback from the industry. A brief description is given below:

### STUDIES/CONSULTATION PAPERS

#### Report On “Development Of Telecommunication in Rural Areas”.

Expanding the rural telecommunication through all available resources is the highest priority of the government. Pakistan Telecommunication Authority is actively engaged in devising future strategies and the road map to address this immensely important issue. Dedicated efforts are underway to provide telecom access to rural and remote areas of Pakistan by adopting various approaches & techniques, best suited to our environment. A report on “Development of Telecommunication in Rural Area” has been published and issued to all stakeholders.

### **Virtual Private Network (VPN)**

A study on Virtual Private Network (VPN) was conducted. It was decided that in the light of Deregulation Policy, Clause 13.2, corporations that wish to establish intra corporate networks will be facilitated. Prospective operators and PTCL will be obliged to provide infrastructure and services for corporate networks at cost oriented prices. Necessary clauses have been included in the draft and sent to the consultant for his review and input.

### **Promotion of Call Centers in Pakistan**

In order to promote call center industry in Pakistan, Authority has taken initiative and constituted a study group to prepare a comprehensive paper on the subject. A consultancy paper was prepared after analyzing the successful call centers across the world, with a view to devise a strategy for promotion of call centers in Pakistan.

Input on the subject consultancy was sought from IT & T Division, Government of Punjab, Sustainable Development Policy Institute (SDPI), NTC and M/s Cyber net/ISPAK. In this respect, policy recommendations have been sent to the Government.

### **Consultation paper on penalties on outages of telecom services**

In order to protect interests of users of telecommunication services in Pakistan, a consultation paper was prepared for

*...benefits that are expected to accrue for a declared industry include availability of soft loans, total or partial exemption/concession from duties and taxes, accelerated depreciation etc.*

imposing penalties for outages of telecom services. After receiving the comments from the stake holders, regulations will be made thereafter.

### **Consultation Paper on “Terms and Conditions for Renewal of CMT License”**

A consultation paper on terms and conditions for renewal of CMT Licenses was prepared. The document was forwarded to all existing CMT Operators for their comments. Final draft License was compiled and forwarded to CMT operators for new CMT regime.

### **Consultation Paper on “Streamlining of Type Approval Procedures”**

A consultation Paper to streamline and simplify the type approval procedure was prepared. The purpose of this paper was to discuss the issues with the stake holders to make type approval procedure easy and simple.

The views/ comments in this regard, from manufacturers, users and importers of telecom equipment have been invited. On the basis of opinions of the stakeholders, Type Approval procedure will be modified.

### **Award of Industry Status to Telecommunications**

A working paper was prepared for Ministry of Industries for the award of industry status to telecommunication. The prime objective of awarding the telecom sector an industry status is that the incentives

and benefits extended to the players in the due course will eventually be delivered to the consumers. The benefits that were expected to accrue for a declared industry include availability of soft loans, total or partial exemption/concession from duties and taxes, accelerated depreciation and industrial tariff on electricity and gas etc. These benefits, if delivered to this sector, would subsequently lead to higher growth in the sector as well as in the economy. The paper was submitted to the Ministry of Industries through Cabinet Division. The government agreed with the Authority's recommendation and telecom sector has been given the status of 'Industry'.

#### **Provision of value added services through LL & Cellular Mobile Companies**

A working paper was prepared in which it was recommended that all value added service licensees may be allowed to offer their services through interconnection with fixed line (PTCL, LDI, LL operators) as well as mobile licensed operators.

PTA is considering the issuance of a general determination allowing interconnection between telecom operators including PTCL, LDI, LL and cellular mobile operators.

#### **Investigation of Anticompetitive Conduct Allegations and Remedial Measures**

It is obligatory upon the Authority that the SMP does not use its dominant position to engage in any anticompetitive conduct. Such conduct may include Cross Subsidization, Price Discrimination,

Vertical Integration, Foreclosure, Misuse of information and Tied Sales and Bundling etc. To cope up with this issue, a detailed document has been prepared that identifies the investigation procedure of such complaints and proposed some remedial measures against such practices.

#### **Articles Published in different Newspapers/Magazines**

Various articles in the area of telecom were published in the press during the reporting period. 98 articles and 9 feature stories highlighting achievements of the Authority and its role in the development of telecom sector in the deregulation environment were published.

### **PUBLICATIONS**

PTA publishes three kinds of reports i.e. Annual Report, Quarterly Reports and Status Report. These reports present the performance of Authority over the year and current status of telecommunication industry vis-à-vis rest of the World.

#### **Annual Report**

To project various activities of the Authority performed during the year 2002-2003, an Annual Report was published. This Annual Report contains all the major tasks completed during the year and the ongoing activities of the Authority. Main emphasis was given on the deregulation related activities like consultation with various organizations/ institutions, Regulatory Authorities, and Ministry of IT&T.

The report was distributed to all stakeholders of the industry; national and international reputable universities and institutions; and to various Regulatory Authorities of the world.

### **Quarterly Reports**

PTA also compiles three Quarterly Reports to present the progress of all the divisions of the Authority. Last year's Quarterly reports particularly highlight various activities of the deregulation group to implement the deregulation policy, licenses issued during the quarter, recoveries made during the period, trainings arranged, complaints handled, show cause notices issued, surveys and studies conducted etc.

*....dedicated efforts are under way to provide telecom access to rural and remote areas of Pakistan by adopting various approaches and techniques, best suited to our environment*

since the announcement of the deregulation policy till the award of licenses. It also includes a comprehensive analysis of the state of telecoms before the introduction of reforms and the impact after the initiation of reforms.

### **Telecom Status Report 2002-2003**

Annual publication of a report in the shape of analysis of telecom sector in the country vis-à-vis rest of the world, is a regular feature of PTA. All the sectors; basic telephony, mobile, Internet, and card payphones are thoroughly analyzed in the report. It gives an overall picture of the growth of telecom markets and reasons behind them. Therefore, this report turns out to be a useful source of information for the industry stakeholders, researchers and general public.

### **Telecom Reforms in Pakistan**

A report named "Telecom Reforms in Pakistan" was prepared. The report contained details of events and tasks completed by the Authority,

## Annex - 1

### Bidding Procedure and Auction Process

#### **1. 1. General**

#### **2.**

- 1.1 The Authority will notify the "Pre-qualified Applicants" by letter, fax, or e-mail on 15<sup>th</sup> March 2004 stating that its EoI has been accepted and it is entitled to participate in the bidding process subject to the submission of earnest money.
- 1.2 Pre-qualified Applicants may raise questions and queries in writing through letter, fax or email to the Authority concerning this IM up to two weeks following the date of issuance of this document. The Authority may not respond to questions and queries received after two weeks period.
- 1.3 The bidding procedure and auction process shall be as following:
  - a. The bidding procedure and auction process will be conducted in two rounds, the first round will be through sealed bids and the second round through open outcry.
  - b. The Authority will send out invitations on 15<sup>th</sup> March 2004 to pre-qualified Applicants for submitting Bid Earnest money of US Dollar 10 Million (US Dollar Ten Million only) or Pak Rs. 575 Million (Pak Rupees five hundred and seventy five million only). The bid earnest money can either be deposited in US dollars or in Pak Rupees. The payment of the earnest money to the Authority is required to be deposited through normal banking channels and should be received by the Authority by way of credit in the designated bank account of the Authority, latest by 12<sup>th</sup> April 2004.
  - c. The earnest money of the successful bidder(s) will be adjusted towards the Auction Winning Price (License Fee) while the earnest money of the unsuccessful bidders

shall be returned within thirty (30) working days<sup>a</sup> of the Bidding date without bearing any liability towards interest, indexation, inflation or deflation.

a. "Working Days" means Monday to Saturday, excluding public holidays.

d. The bidding will be held at 1000 hours on 14th April, 2004 at a Venue to be notified by the Authority. Only three persons including the authorized representative from each pre-qualified Applicant shall be allowed to participate in the Bidding process.

2. **First Round: Sealed bidding**

a. The Authority would invite the pre-qualified bidders to file the bids for the licenses. The pre-qualified bidders shall submit sealed bids on prescribed form on April 14, 2004. The sealed bid form is placed at Annex 'A' to this IM. First round of bidding shall be held at 1000 hours.

b. The sealed bids shall be dropped by the Authorized Representative of the Bidder between 1000 hours and 1100 hours PST on the bidding date in a sealed box reserved for this purpose in the presence of the Bidding Committee. The bid shall be unconditional, irrevocable and valid for at least sixty (60) working days from the date of submission.

c. The bids shall be typed or written in indelible ink and shall be signed by the Authorized Representative of the bidder. The amount of Bid shall be in multiple of million US Dollar and invariably written both in words and figures.

d. The Bid shall contain no additions, alternations or omissions. Any such Bid may be cancelled/rejected by the Bidding Committee.

e. A Bid shall be returned unopened if:-

(1) It is received by the Bidding Committee after 1100 Hours PST on 14<sup>th</sup> April 2004, the deadline fixed by the Authority for the submission of Bids;

(2) It is not submitted by the authorized representative who is holding the special power of attorney; OR

(3) The earnest money of US Dollar 10 M or Pak Rs. 575 M has not been deposited within the stipulated time.

f. The Bidder shall not be able to modify or substitute their Bids after the Bid submission.



- g. The top 50% bidders will qualify for the second round of bidding. Any bidder whose quoted amount is not less than 80% of the highest Bid shall also qualify for the second round.
- h. The Bids will be opened by the Committee constituted by the Authority for this purpose.
- i. The Committee would be responsible for proper conduct of the Bid opening process. In case of any dispute, the committee shall refer their recommendations to the Authority whose decision shall be final.
- j. The Bidding Committee shall open sealed Bids in front of the Authorized Representatives of the Bidders. The Bidding Committee shall announce:

Bid Price of each Bidder

Highest Bid

Qualified Bidders for the next round

Time for reassembly for the Second Round

- k. All the Authorized Representatives shall sign a proforma confirming that all the Bids announced are correct and true.
  - l. The highest Bid received in the first round shall become the reserve/ floor price for the second round.
3. **Second Round: Open Out-cry:** The following procedure shall be followed in the second round of bidding:
- a. Each successful bidder of the first round will be issued a card to identify himself;
  - b. The auction shall be based on an open outcry on the same date, the same Venue and the time announced by the Bidding Committee.
  - c. The bidder shall cry-out his bid and write it on the prescribed form duly signed by the Authorized Representative and hand it over to the Bidding Committee. The bid form for second out-cry round is placed at Annex 'B' to this IM.
  - d. The Authority shall continue the open outcry auction until there are no further Bids.
  - e. Each subsequent bid increment shall be in multiple of US\$ 1 Million.
  - f. After each Bid, the bidding and Bidder' details will be recorded before the next Bid;

- g. When there are no further Bids, the Bidding Committee shall announce the Auction Winning Price and the names of the top two Bidders. Thereafter the highest Bidder will be asked to select one of the available Lots of frequency spectrum. The selection of the highest bidder will be recorded.
- h. The second highest Bidder will be asked to match the Auction Winning Price and if he agrees, he shall qualify for the second License.
- i. In case the second highest Bidder is unwilling to match the Auction Winning Price, the second License shall be offered at the same price to the other Bidders in order of their bid amounts, i.e., from higher to lower until Auction winning Price is matched. If no other Bidder is ready to match the Auction Winning Price, the Bidding session will be closed with the award of only one license. If the winning bidder fails to make the payment as referred in sub clause (k) above within the stipulated time, the Authority may decide to conduct the bidding process again within fifteen (15) days after default of payment provided that only those pre-qualified bidders shall be allowed to participate in the bidding process who had initially deposited 10 Million US \$ or Pak Rupees 575 Million as earnest money on or before 12 April 2004 except the defaulted bidder. The earnest money and other amounts deposited by the defaulted bidder shall be forfeited.
- j. If the second or subsequent Bidder agrees to match the Auction Winning Price, he will be asked to select one of the remaining Lots of frequency spectrum. Their selection will also be recorded and the auction will then be declared closed.
- k. Each one of the winning Bidders shall deposit in PTA designated bank account, 25% of the Auction Winning Price (License fee) after adjustment of the Bid Earnest money within ten (10) working days. Each winning bidder shall deposit remaining 25% of the Auction Winning Price within forty (40) working days from the Bidding Date.
- l. The remaining 50% of the license fee shall be paid within ten (10) years in equal annual instalments in US Dollar or its equivalent in Pak Rupees to be converted at the TT selling rate of National Bank of Pakistan on the day preceding the date of payment. A clause to secure the payment of remaining 50% of the License fee shall be included in the License conditions.
- m. If both or either of the winning Bidders fail to make the payments as referred in sub-clause (k) above within the stipulated time, the next highest bidder(s) in order of their bid(s) will be offered the License(s) on the same Auction Winning Price and on the same terms and conditions. If no Bidder is found ready to match the Auction Winning Price, the Bidding session will be closed without awarding any license.
- n. The Authority shall forfeit the Bid earnest money and all other amounts received from the defaulting bidder(s).

- o. The license shall only be issued after payment of 50% of the License Fee within forty (40) working days from the Bidding Date.

**3.**

- 4. p. After the announcement of the Final Bid Winner, no further offers to obtain the license shall be permitted. Any such effort will make the bidder liable to forfeiture of his earnest money.

- 4. **Disqualification:** The Authority may, on the recommendation of the Biding Committee, disqualify any Bidder and forfeit its money for any of the reasons set out below:

- a. If a successful Bidder abandons the bid or fails to pay 25 % of the license fee within ten (10) working days or remaining 25% within forty (40) working days from the Bidding Date.
- b. Inaccuracy or misrepresentation of any facts in any part of the EOI.
- c. Illegal conduct in the Bid procedure and auction process or improper attempts to influence the outcome, or delay or disrupt the process.
- d. Any "corrupt practice" meaning the offering, giving, receiving or soliciting of any thing of value to influence the action of a public official in relation to licensing process provided in the IM.
- e. Any "fraudulent practice" or misrepresentation of the facts in order to influence the results of the licensing process established by the Information Memorandum and addendum.

**5. 5. Information Provided by the Authority**

11.1 The information contained in this IM and any other information provided to Applicants during the Application process, in writing, is intended to assist Bidder in the preparation of their Bids and shall be binding on them in the course of bidding/auction.

11.2 The Authority has made and will continue to make reasonable efforts to include accurate and current information in the IM and in any other documents provided to the Applicants. However, neither the Authority nor any of the agencies, employees, representatives, advisors or consultants shall have any liability whatsoever to any Applicant or any of its shareholders or members or any other person resulting from use of or reliance on any of the information so provided. Applicants are encouraged to undertake their own verification of any information supplied by the Authority prior to use of or reliance on that information.

**6.**

**7. 6. Other Communications**

12.1 All deliveries, notices or other communications made to Applicants in connection with the Application process shall be sent by fax or email or personal delivery to the contact office of the bidder(s) /Applicant(s), as specified by the Applicant to the Authority in his EOI.

12.2 All deliveries, notices or other communications made by Applicants to the Authority in connection with the Application process shall be sent by fax, E-mail or personal delivery to the officers mentioned at the address mentioned in Para 2.3 of the IM.

12.3 The Bidders are expected to carefully examine all information, instructions, and annexes given in this IM.

**8. 7. Confidentiality of Applications**

13.1 The Authority shall make all reasonable efforts to ensure confidentiality of the information provided by the Applicants. However neither the Authority nor any of its agencies, employees, Representatives, advisors or consultants shall be liable in any respect whatsoever to any Applicant or any of its members or representatives for damages or harm resulting from a failure to maintain such confidentiality.

**9.**

**10. 8. Costs associated with Bid and bidding:** The Bidders shall bear all their costs associated with the preparation and submission of their Bids and the Authority shall in no case be responsible for these or any other costs, regardless of the conduct or outcome of the application process.

**11. 9. Reservation of Rights**

15.1 The Authority reserves the right, in its sole discretion, to take any action, including amendment in this IM, which it considers necessary to ensure that the Bid process occurs in a fair, open and transparent manner, in accordance with law and discourage collusion and predatory bidding that may block the entry of potential bidders into the bidding/auction process.

15.2 The Authority further reserves the right to modify or terminate the Bid process at any time in its sole discretion. In such an event earnest money would be returned to the Bidder within thirty (30) working days without bearing any liability.

**12. 10. Miscellaneous**

16.1 This IM and any License issued pursuant to the process announced herein shall be exclusively subject to, and interpreted in accordance with provisions of the Act, the Rules and the Regulations issued there under.

16.2 Any dispute, controversy or claim arising out of or in connection with this M, or the breach, termination or invalidity thereof, shall be settled by the Authority and its decision shall be final.

16.3 The Bid process, the accompanying documents, and all correspondence relating to the process announced in this IM shall be submitted in English language.

16.4 The Authority at all times shall reserve the right to change, alter, modify, amend, supplement or replace any or all of the Bidding procedure before the

Bidding Date and such change, alteration, modification, amendment, supplemental or replacement shall be communicated to the Bidders and become an integral part of the Bidding procedure.

16.5 No suit, prosecution or other legal proceedings shall lie against the Authority or any member or employee of the Authority in respect of anything done or intended to be done by the Authority in good faith in connection with this IM.

**LIST OF LL/LDI LICENSEES**

LDI Licenses

<b>S.No</b>	<b>Companies</b>	<b>Address</b>
1	<b>WorldCall Telecom Ltd.</b>	<b>Mr. Muhammad Shuaib Yousaf</b> WorldCall Telecom Ltd. 103-C-II, Gulberg - III, Lahore Tel: 042-5757591-4 Fax: 042-5757590, 5877920
2	<b>Link Direct International (Pvt) Ltd</b>	<b>Mr. Fasiel Sattar</b> M/s Link Direct International (Pvt.) Ltd 42, Kulsum Plaza, Jinnah Avenue, Blue Area, Islamabad. Tel:051-2273984-9 Fax: 051-2273983
3	<b>Callmate Telips Telecom (Pvt) Ltd.</b>	<b>Mr. Muhammad Ajmal Ansari</b> M/S CALLMATE TELIPS Ltd. 99-CF, 1/5, Clifton, Karachi. Tel: 021 5830701, 5833712 Fax: 021 5833006, 5873894
4	<b>Warid Telecom (Pvt) Ltd</b>	<b>Mr. Parvez A. Shahid</b> M/S WARID TELECOMS (Pvt) Ltd. H.NO: 33, ST.NO: 2, F-8/3, ISLAMABAD Tel: 051 2274703 Fax: 051 2279897
5	<b>TeleCard Ltd.</b>	<b>Mr. Salim Lalani</b> M/S TELECARD Ltd. 7th Floor, World Trade Center, 10, Khayaban-e-Roomi, Clifton, Karachi. Tel: 021 111222123 Fax: 021 5867850
6	<b>Telenor (Pakistan) Pvt. Ltd</b>	<b>Mr. Arve Johansen</b> M/S TELENOR (Pakistan) Pvt. Ltd SAUDI PAK TOWER, GROUND FLOOR 61-A, JINNAH AVENUE, ISLAMABAD Tel : 051 2800397, 398 Fax: 051 2800399
7	<b>DANCOM Pakistan (Pvt) Ltd.</b>	<b>Mr. Muhammad. Luqman Kamil</b> M/S DANCOM Pakistan (Pvt) Ltd. 2nd Floor, Block: 4-A, Wisma Dancom, F-8 Markaz, Islamabad Tel: 051 2260509 Fax: 051 2261720

8	<b>DV Com Ltd.</b>	<b>Mohammad Abdul Wassay</b> , M/S DVCom Ltd.H.No: 16, St.No: 67, G-6/4IslamabadTel: 051 2821683Fax: 051 2821487
9	<b>Wise Communication Systems (Pvt) Ltd.</b>	<b>Mr. Jahanzeb Sarfraz</b> M/S WISE COMMUNICATION SYSTEM (Pvt) Ltd OFFICE #: 3, 23 Sajid Sharif Plaza, G-11 Markaz,ISLAMABAD Tel: 051 2106103, Fax: 051 2104822
10	<b>Redtone Telecommunications (Pakistan) Pvt. Ltd</b>	<b>Mr. Syed Zain Ul-Islam</b> M/s Redtone Telecommunication Pvt. Ltd 1 Mezanine, Paktel Centre Jinnah Avenue, Blue Area, ISD Tel: 051 2100876 Fax: 051 2870340
11	<b>Burraq Telecom Ltd.</b>	<b>Mr. Sadiq Yousaf Yalmaz.</b> M/S BURRAQ TELECOM Ltd H.NO: 316, Main Margalla Road, F-10/3 ISLAMABAD. Tel: 051 111-784-784 Fax: 051 111-784-785
12	<b>Circle Net Communications (Pakistan) Pvt. Ltd</b>	<b>Mr. Najam Yousuf</b> M/S Circle Net Communications (Pakistan) Pvt. Ltd 263-B, St.no: 42, F-11/3, Islamabad. Tel: 051-2105314-5 Fax: 051-2211058

## LL Licenses

S. No	Company Name	Regions	License No.
1	<b>DANCOM PAKISTAN (PVT) LTD</b> 2nd floor, Block 4-A, Wisma Dancom, F-8 Markaz Islamabad Ph:051-2260509, Fax:051-2261720	Fourteen Regions	LL-22-2004
2	<b>CYBER-SOFT TECHNOLOGIES (PVT) LTD</b> House No. 28, Agha Khan Road, F-6/4, Islamabad Tel: 111-600-222 Fax: 051-2822732	KTR LTR ITR RTR FTR (05)	LL-21-2004
3	<b>WISE COMMUNICATION SYSTEMS (PVT) LTD</b> Office # 3, 23 Sharif Plaza, G-11 Markaz, Islamabad Tel: 051-2106103 Fax: 051-2104822	KTR ITR RTR FTR GTR (05)	LL-20-2004
4	<b>AIR TRACK TELECOMMUNICATION (PVT) LTD</b> Shop # 73, 1st Floor Rex Center, Abdullah Haroon Road, Karachi Tel: 021-5671444-5 Fax: 021-4313214	KTR STR -I WTR (03)	LL-19-2004
5	<b>CALL 2 PHONE (PVT) LTD</b> 411-Fourth Floor, Sadiq Plaza, 69- The Mall, Lahore. Tel: 042-6374323 Fax: 042-6374629	LTR RTR GTR (03)	LL-18-2004
6	<b>WEB CONCEPTS (PVT) LTD</b> 97/C, New Muslim Town, Lahore Tel: 042-5866284 Fax: 042-5889012	LTR MTR GTR (03)	LL-17-2004
7	<b>ZARI TELECOMMUNICATIONS (PVT) LTD</b> Flat # 3, Yousaf Jamal Plaza, Mansehra Road, Abbottabad Tel: 0992-343788 Fax: 0992-380159	ITR HTR NTR-I (03)	LL-16-2004
8	<b>VISION TELECOM (PVT) LTD</b> 101-1st Floor, Ibrahim Trade Center, 1-Aibak Block, Garden Town, Lahore Tel: 042-5840471 Fax: 042-5840474	LTR GTR (02)	LL-15-2004



S. No	Company Name	Regions	License No.
9	<b>ALBADAR ETISALAT (PVT) LTD</b> 957, Street # 91, Sector I-8/4, Islamabad Tel; 051-4438576	ITR (01)	LL-14-2004
10	<b>BRAIN LIMITED</b> 730, Nizam Block, Alama Iqbal Town, Lahore. Tel: 111-222-777 Fax : 042-7832039	LTR (01)	LL-13-2004
11	<b>HAZARA COMMUNICATIONS (PVT) LTD</b> Cantonment Plaza, Abbottabad Tel: 0992-336250, 336210 Fax: 382610	HTR (01)	LL-12-2004
12	<b>ION (PVT) LTD</b> House# 26-B, Street# 8, Sector, F-7/3, Islamabad Tel: 051-2276552-3 Fax: 051-2274736	GTR (01)	LL-01-2004
13	<b>NOMAN &amp; TANVEER TELECOMMUNICATIONS (PVT) LTD</b> Flat No.8, 1st Floor, Saleem Plaza Patel Bagh, Quetta. Tel: 81-830342 Fax: 081-832571	WTR (01)	LL-02-2004
14	<b>SOHAIL &amp; INAM (PVT) LTD</b> Suit# 1, Sujjad Plaza, First Floor, Airport Road, Mingora Swat, NWFP Tel: 092-936-721821 Fax: 936-721822	NTR-I (01)	LL-03-2004
15	<b>TELENEX (PVT) LTD</b> 22 Shahjamal Colony, Lahore Tel: 042-5759035 Fax: 042-5758041	LTR (01)	LL-05-2004
16	<b>UNION COMMUNICATIONS (PVT) LTD</b> 23-B, Zafar Road Lahore Cantt Tel: 042-111-77-55-77 Fax: 042-6686430	LTR (01)	LL-06-2004
17	<b>UNIFIED TECHNOLOGIES (PVT) LTD</b> 2nd Floor, Block 4-A, Sector F-8 Markaz, Islamabad Tel: 051-2260509 Fax: 051-2261720	KTR (01)	LL-07-2004

S. No	Company Name	Regions	License No.
18	<b>VELOCITY (PVT) LTD</b> Office# 1, 3rd Floor, City Plaza, F-10 Markaz, Islamabad Tel: 051-2102875 Fax: 051-2102879	RTR (01)	LL-8-2004
19	<b>WorldCALL Broadband LTD</b> 103-C-II, Gulberg - III, Lahore Tel: 042-5757591-4 Fax: 042-5757590	KTR (01)	LL-09-2004
20	<b>WorldCALL Multimedia Ltd</b> 103-C-II, Gulberg - III, Lahore Tel: 042-5757591-4 Fax: 042-5757590	LTR (01)	LL-10-2004
21	<b>CCZ</b> Ground Floor Office 02, 07 Basharat Plaza, I-9 Markaz, Islamabad Tel: 051-4434417-18 Fax: 051-4432595	RTR (01)	LL-11-2004
22	<b>TeleCard Ltd</b> 75, East Blue Area, 5th Floor, Fazal-UI-Haq Road, Islamabad Tel : 051 111 222 123 Fax: 051 279205	Fourteen Regions	LL-23-2004
23	<b>Easy Phone (Pvt) Ltd</b> 140-Aurंगzeb Block, New Garden Town, Lahore Tel: 042 5841491 Fax: 042 5841495	KTR LTR ITR RTR MTR FTR GTR NTR-1 (08)	LL-24-2004
24	<b>Eagle.Com Pvt) Ltd</b> H.No. 27, St.No 32, F-6/1 Islamabad. Tel: 051-2829045 Fax: 051-2829355	GTR (01)	LL-29-2004
25	<b>Naya Tel (Pvt) Ltd</b> Mezzanine Floor, GD Arcade, 73-E, Fazal-e- Haq Road, Blue Area, Islamabad Tel: 051 2829045 Fax: 051 2829354	ITR (01)	LL-26-2004
26	<b>Defence Housing Authority</b> Sector Y Commercial Area, Phase-III, Lahore Cantt Tel: 042 5734301	LTR (01)	LL-25-2004
27	<b>City Link Ltd</b> House # 17-A, Street 42, F-7/1, Islamabad Tel: 051-2651606 Fax: 051-2875168	FTR (01)	LL-31-2004
28	<b>CyberHouse (Pvt.) Ltd, D-146,</b> 5th Road, Satellite Town, Rawalpindi Tel: 111 000 707 Fax: 051-4414879	ITR (01)	LL-30-2004

29	<b>Mr. Muhammad Shafi</b> <b>M/S Poleax Telecom Pvt Ltd</b> Suite#246, Street# 55, Sector I-8/4, Islamabad Tel: 051-4435051 Fax: 051-4581523	ITR (01)	LL-33-2004
30	<b>Multinet Pakistan Pvt Ltd</b> 239 Staff Lines, Fatima Jinnah Road, Karachi Tel: 021-111-021-021 Fax: 021-5656480	KTR (01)	LL-32-2004
31	<b>Maj. ® Shahid Mehmood Raja ,CE</b> <b>M/S Metrotel (Pvt.) Ltd</b> Office # 4, 2nd Floor City Arcade, I-8 Markaz, Islamabad. Tel: 051-4447191 Fax: 051-4438232	NTR-I ,ITR (02)	LL-34-2004

**POTENTIAL WLL LICENSEES**

<b>S. No.</b>	<b>Name of Applicant</b>	<b>Regions</b>
1	PAKISTAN TELECOMMUNICATION COMPANY LIMITED	14
2	TELECARD LIMITED	14
3	DV COM LIMITED	14
4	WORLDCALL TELEPHONY (PRIVATE) LIMITED	14
5	BURRAQ TELECOM LIMITED	14
6	WARID WLL (PRIVATE) LIMITED	13
7	MICROTECH LINKS (PRIVATE) LIMITED	05
8	GREAT BEAR INTERNATIONAL SERVICES(PRIVATE) LIMITED	05
9	CYBER INTERNET SERVICE (PRIVATE) LIMITED	03
10	ZARCO TELECOMMUNICATION (PRIVATE) LIMITED	02
11	SACHAL SOFTEC (PRIVATE) LIMITED	01
12	SACHAL SATELLITE COMMUNICATION (PRIVATE) LIMITED	01
13	SACHAL TECHNOLOGIES INC. (PRIVATE) LIMITED	01
14	SACHAL TECHNICAL SERVICES (PRIVATE) LIMITED	01
15	POLEAX TELECOM (PRIVATE) LIMITED	01
16	UNITED CABLE NETWORK (PRIVATE) LIMITED	01
17	RELIANCE TELECOM PRIVATE LIMITED	01
18	ERTIBATAT (PRIVATE) LIMITED	01
19	METROTEL (PRIVATE) LIMITED	01
20	DEFENCE HOUSING AUTHORITY	01

## Annex-4

# FINANCIAL DETAILS OF WLL AUCTIONING

S. #	Regions	1.9 GHz in Million Pak Rs.	450 MHz in Million Pak Rs.	479 MHz in Million Pak Rs.	3.5 GHz in Million Pak Rs.	Total in Million Pak Rs.
1	Karachi (KTR)	3612.00	264.00	31.00	259.00	4166.00
2	Faisalabad (FTR)	1275.00	201.00	3.00	28.00	1507.00
3	Lahore (LTR)	1059.00	168.00	5.00	77.00	1309.00
4	Gujranwala (GTR)	885.00	240.00	25.00	4.06	1154.06
5	Multan (MTR)	858.00	210.00	20.00	3.48	1091.48
6	Islamabad (ITR)	870.00	66.00	7.00	49.00	992.00
7	Northern (NTR-I)	606.00	183.00	20.0	28.00	837.00
8	Rawalpindi (RTR)	597.00	192.00	17.00	4.06	810.06
9	Southern (STR-I)	402.00	117.00	8.00	4.06	531.06
10	Central (CTR)	363.00	108.00	1.31	2.32	474.63
11	Western (WTR)	225.00	111.00	10.00	3.48	349.48
12	Southern (STR-V)	237.00	96.00	11.00	4.06	348.06
13	Northern (NTR-II)	166.00	75.00	7.00	3.48	251.48
14	Haripur (HTR)	101.00	120.00	10.00	3.48	234.48
<b>G.Total</b>		11256.00	2151.00	175.31	473.48	14055.79

**TELECOM DEREGULATION**  
**PHASE –I**  
**FINANCIAL SUMMARY**

Category	No. of Applications	Initial License Fee (Million Pak Rs.)	Application Processing Fee (Million Pak Rs.)	Auction Winning Price of Spectrum (Million Pak Rs.)	Total (Million Pak Rs.)
LDI	12	348	0.35	-----	348.35
FLL	73	42.34	2.12	-----	44.46
WLL	108	62.64	3.132	* (13816.79 + 239) 14055.79	14121.56
Total	193	452.98	5.602	14055.79	14514.37

Annex-5

ANNUAL AUDITED ACCOUNTS











**Annex-6****LICENSES ISSUED DURING THE YEAR 2003-2004**

S.No.	Name of Services	Licenses issued	Under process		Total Applications received
			Demand Note issued but not paid Initial license fee	Applications under process	
1	Audiotex Services	6	-	3	9
2	Burglar Alarm System	1	-	-	1
3	Card Pay Phone Services	118	5	15	138
4	Data Communication Network	-	-	-	0
5	Digital Radio Paging Services	-	-	-	0
6	Electronic Information Services	11	-	2	13
7	Non Voice Communication Network Services	5	1	2	8
8	Stored and forward Fax Services	-	-	-	0
9	Trunk Radio Services	-	-	2	2
10	Video Conferencing Services	-	-	2	2
11	Voice Mail Services	-	-	1	1
12	Vehicle Tracking System	-	-	6	6
<b>Total</b>		<b>141</b>	<b>6</b>	<b>33</b>	<b>180</b>

## Radio Based Services

Name of Services	Renewal	Approval	Demand Note issued	New license issued	Cases forwarded to FAB for allocation of Frequencies and site clearance.
BTS Site clearance	-	885	913	-	1141
SST Links Site clearance	60	197	140	-	384
HF/VHF/UHF Private Land Mobile/Fixed	367	-	732	60	82
Satellite Registration/Permission	-	4	-	4	-
Inmarsat/Satellite Phones	20	7	11	7	-
Amateur	41	11	173	11	-
CMT Licenses	-	-	2	2	2
GMPCS	License clauses modified				

## Annex-8

### Incentive Given to Telecom Sector in Regulatory Fee

S#	Services	Initial license fee	Annual License Fee/Renewal Fee		Annual Royalty	
			Current	Previous	Current	Previous
1	Electronic Information Services (EIS)/ISP *	Current National = Rs 300,000 PTCL-Region = Rs 100,000 Previous National = Rs 500,000 Provincial = Rs 300,000 District = Rs 100,000 Tehsil = Rs 50,000	0.66% of annual gross revenue	20% of initial license fee	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"
2	E-Mail Services	National = Rs 500,000 District = Rs 300,000	0.66% of annual gross revenue	20% of initial license fee	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"
3	Data Communication Network Services (DCNS)	Rs 1000,000	0.66% of annual gross revenue	1.5% of annual gross revenue OR 50% of initial license fee "whichever is higher"	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"
4	Non-Voice Communication Network Services (NVCNS)	Rs 1000,000	0.66% of annual gross revenue	1.5% of annual gross revenue OR 50% of initial license fee "whichever is higher"	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"
5	Store & Forward Fax Services (S&FFS)	National = Rs 50,000 Provincial = Rs 30,000 District & Tehsil = Rs 10,000	0.66% of annual gross revenue	20% of initial license fee	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"

S#	Services	Initial license fee	Annual License Fee/Renewal Fee		Annual Royalty	
			Current	Previous	Current	Previous
6	Voice Mail Services (VMS)	Rs 500,000	0.66% of annual gross revenue OR 10% of initial license fee "whichever is higher" <b>w.e.f. July 01, 2004.</b> This shall not be applicable to fixed line and mobile licensees as they are already paying the fee on total gross revenue minus inter-operator revenue	25% of initial license fee	Abolished	4% of Annual Gross Revenue <b>OR</b> 50% of Initial License Fee "whichever is higher"
7	Video Conferencing Services (VCS)	Rs 500,000	0.66% of annual gross revenue OR 10% of initial license fee "whichever is higher" <b>w.e.f. July 01, 2004.</b>	-	-	1.5% of Annual Gross Revenue <b>OR</b> 50% of Initial License Fee "whichever is higher"
8	Trunk Radio Services (TRS)	Rs 500,000	0.66% of annual gross revenue OR 10% of initial license fee "whichever is higher" <b>w.e.f. April 01, 2001</b>	25% of initial license fee	Abolished	4% of Annual Gross Revenue <b>OR</b> 50% of Initial License Fee "whichever is higher"
9	Burglar Alarm Services (BAS)	Rs 500,000	0.66% of annual gross revenue OR 10% of initial license fee "whichever is higher" <b>w.e.f. April 01, 2001</b>	25% of initial license fee	Abolished	4% of Annual Gross Revenue <b>OR</b> 50% of Initial License Fee "whichever is higher"
10	Vehicle Tracking Services (VTS)	Rs 500,000	1.5% of annual gross revenue OR 10% of initial license fee "whichever is higher" <b>w.e.f. April 01, 2001</b>	25% of initial license fee	Abolished	4% of Annual Gross Revenue <b>OR</b> 50% of Initial License Fee "whichever is higher"

S#	Services	Initial license fee	Annual License Fee/Renewal Fee		Annual Royalty	
			Current	Previous	Current	Previous
11	Audiotex Services (ATS)	Rs 500,000	1.5% of Annual Gross Revenue OR 10% of Initial License Fee "whichever is higher" <b>w.e.f. April 01, 2001</b>	25% of initial license fee	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"
12	Card Payphone Services (CPPS)	National =Rs 500,000 Provincial =Rs 300,000 Metropolitan=Rs 200,000 District =Rs 100,000	1.5% of Annual Gross Revenue Minus Inter-Operator Payments (Only Call Charges & Line Rent) and Revenue related Taxes like General Sales Tax (GST) and Withholding Tax ( <b>No other tax or duty is deductible</b> ) paid to GoP on annual revenue from licensed services as reported by annual audited accounts of Card Payphone services OR 10% of Initial License Fee "whichever is higher" <b>w.e.f. July 01, 2004</b>	25% of initial license fee	Abolished	4% of annual gross revenue OR 50% of initial license fee "whichever is higher"
13	Cellular Mobile Telephony Services (CMTS)	Auction through Open Bidding	0.5% of annual gross revenue minus inter-operators payments	-	1.5% of annual gross revenue minus PSTN Charges and leased rental charges	4% of annual gross revenue minus PSTN Charges and leased circuit charges and 4% of net profit after tax
14	Basic Telephony (Land Line)	0.66% of annual gross revenue of first year of operation after obtaining license except where moratorium is granted	0.5% of annual gross revenue <b>w.e.f. license issuance date except where moratorium is granted</b>	-	-	-



S#	Services	Initial license fee	Annual License Fee/Renewal Fee		Annual Royalty	
			Current	Previous	Current	Previous
15	Local Loop (LL)	US\$ 10,000	0.5% of annual gross revenue minus inter-operators payments	-	-	-
16	Long Distance & International (LDI)	US\$ 500,000	0.5% of annual gross revenue minus inter-operators payments	-	-	-
17	Satellite	0.66% of annual gross revenue of first year of operation after obtaining license	Abolished	0.17% of annual gross revenue	-	-
18	Fibre Optic Submarine Cable Landing Station	Rs 5,000,000	1.5% of annual gross revenue <u>except where moratorium is granted (for 1.0%)</u>	-	-	-
19	Special License (SL)-S.W.I.F.T.	Rs 500,000	Rs 300,000 on renewal of the license after every three years	-	-	-
20	Special License (SL)-S.N.G.P.L/ S.S.G.C	Nominal Rs 100,000	Rs 25,000 every year	-	-	-

Note: Initial License Fee for ISP and Annual Renewal Fee and Annual License Fee/Annual Royalty for Value Added Services (ATS, TRS, BAS, VMS, CVS, VTS and CPPS) has been reduced in the 167<sup>th</sup> Authority meeting held on July 15, 2004

**RECOMMENDATIONS OF SOUTH ASIA  
TELECOMMUNICATION REGULATOR'S COUNCIL (SATRC)**

- I. Preparation of a comprehensive review paper on Licensing for Convergence by an Expert and presentation at a Workshop.**
  - PTA will undertake this as a project based on the experience of TRAI and other regulators from the region.
  - PTA will explore the possibility of the amount of funding that could be provided by PTA for the project and inform the APT Secretariat as soon as possible.
  
- II Preparation of a consultation paper on QoS for deliberation at the next SATRC Meeting**
  - PTA will undertake this project and prepare a consultation paper based on a base paper to be prepared by TRAI on their experience. The QoS consultation paper will include all services.
  
- III Universal Service/ Universal Access Obligation**
  - The Working Group to obtain the information for preparing a paper on the subject from the papers presented at the APT Symposium on Access to USO held in February 2004 and the information available from the World Bank. TRAI, BSNL & DOT (USF Administrator) will provide information on their experiences to the Working Group for consideration. The paper will be presented by the Working Group at the next SATRC Meeting.
  
- IV Tariff Rebalancing: Guidelines including case studies on best practices, costs, tariffs, interconnection usage charges employing different approaches to be prepared by an expert.**
  - The report on tariff rebalancing is under preparation. To be considered in the next SATRC meeting.
  
- V Interconnection: The subject to be dealt at a Workshop**

- Sri Lanka to host a Training Workshop on Interconnection and Convergence. Sri Lanka to explore the possibility of the amount of possible funding for this project and inform the APT Secretariat as soon as possible. It was also decided to establish a Working Group on Interconnection.

## **VI Numbering & Number Portability**

- Mobile number portability would be given priority on the numbering plan. For this purpose an e-mail reflector to be created at the APT website for discussion between member countries. A paper on Number Portability will be prepared by Dr. S.K. Hajela. Pakistan will also provide input on this subject. Regarding harmonization on emergency numbers it would be difficult for some countries to implement the suggested harmonized emerging numbers. It is recommended that the subject be revisited.

## **VII Equal Ease of Access**

- Subject to be discussed at the Workshop and next SATRC Meeting. Dr. S.K. Hajela to prepare a project proposal and send to APT Secretariat.

## **VIII Intelligent Network Services: A report to be prepared by a consultant for presentation at a Workshop.**

- TRAI accepted to prepare a paper on Intelligent Network Services. TRAI will inform the APT Secretariat the possibility of funding an expert. A project proposal will be prepared for conducting the Workshop.

## **IX Broadband Regulation**

- TRAI will prepare a paper on Broadband Regulation. This would take into account the follow up of Bangkok Declaration and activities particularly relating to Broadband infrastructure and creating of enabling environment as per WSIS Geneva Action Plan.

## **X Training**

- It was agreed that each SATRC member country will implement at least one training programme each year. They can utilize the World

Bank country program funds available with them to support the event. The members were also requested to use SAFIR budget for this purpose.

**XI SATRC to take the input from the industry through the ICT industry meeting in formulating the policy and regulatory frameworks in the SATRC member countries.**

Particularly the SATRC take note of the following points in order to encourage an investor friendly regulatory environment.

- dominance by the incumbent: anticompetitive practices
- cross-subsidization of services
- requirement of USF
- stimulation of demand
- elimination of gray market
- licensing to support convergence

These items will be considered while preparing the project proposals.

**XII Industry-Regulator meeting to continue as an annual event.**

- Operators and industry associations from the SATRC member countries will be invited to participate in this meeting.

**XIII Setting up a Working Group on International Cellular Roaming.**

- A Working Group on International Roaming will be established for facilitating roaming among cellular operators. The Working Group will be open to APT membership. Interested members/affiliate members are requested to provide their contact details to the APT Secretariat.

**XIV A Working Group on Spectrum to be established. The Working Group can work electronically.**

**XV Nepal to send a proposal for a Workshop on the Standardization of Telecommunication Equipment.**

**XVI A Working Group on Regional Broadband Connectivity will be established under the Chairmanship of Mr. V.P. Sinha.**

- The Working Group will have further consultation among interested members on Mr. Sinha's proposal for enhancing broadband connectivity. Members/Affiliate members of APT who are interested

in joining the group are requested to give their names to the APT Secretariat.

**XVII For implementation of the SATRC Action Plan**

- Dr. S.K. Hajela will be requested to prepare Project Proposals on the Actions agreed by the SATRC members. The proposals will be sent to the members for their endorsement by 2<sup>nd</sup> week of October. After their endorsement, the proposals will be submitted to the APT Management Committee for approval.

**XVIII The SATRC Members agreed to support the project proposals. For this purpose the members made the following commitments.**

<b>Pakistan</b>	<b>US\$ 10,000</b>
<b>Bhutan</b>	<b>Will Support and exact amount will be communicated later</b>
<b>Bangladesh</b>	<b>Will Support and exact amount will be communicated later</b>
<b>SRI Lanka</b>	<b>Will Support and exact amount will be communicated later</b>
<b>Afghanistan</b>	<b>Will Support and exact amount will be communicated later</b>
<b>India</b>	<b>Will Support and exact amount will be communicated later</b>
<b>Nepal</b>	<b>Will Support and exact amount will be communicated later</b>
<b>IRAN</b>	<b>Will Support and exact amount will be communicated later</b>
<b>Maldives</b>	<b>APT will contact later</b>

**XIX Next SATRC meetings.**

-The next SATRC meetings will be hosted by India in 2005, Bhutan 2006, Bangladesh 2007.

-The Chairmanship of SATRC was transferred to India. India will hand over Chairmanship to Bhutan at the end of seventh meeting of the SATRC meeting.

**XX The meeting expressed its sincere thanks to Maj. Gen (R) Shahzada Alam Malik, Chairman PTA for his excellent Chairmanship of SATRC for the period 2003-04**

