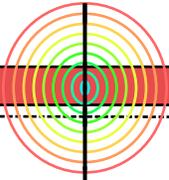


Chapter - 7

Telecoms in AJK & NAs



Overview

Telecommunication Services in Azad Jammu & Kashmir and Northern Areas were launched in 1976 on the directives of the then Prime Minister, Zulfikar Ali Bhutto. As the region had difficult terrain and extreme weather conditions, an army organization was considered to be a suitable company to efficiently operate there. Thus in July 1976, Special Communication Organization [SCO] was established to plan, develop and operate telecommunication network in AJK and NAs, and for about 24 years, the SCO has been providing telecom services to 3.5 million people of AJK and 1.5 million residents of NAs, thus covering a combined area of 158,289 Sq. kilometers.

Until the catastrophic earthquake of 2005, the SCO maintained its monopoly being the single largest telecommunication network provider in AJK as well as NAs, having extensive footprints of PSTN, GSM, CDMA and internet provision. However, later on, subsequent to the cabinet's decision for de-regulation of the sector in these areas in 2006, PTA issued licenses to certain cellular, FLL and WLL companies, hoping that the step would augment the government efforts to extend and access of affordable telecom services to the under served areas. Today, almost 82% of the area in AJK and NAs comprising 270 cities/towns and villages remains under the coverage of telecom service providers.

Regulatory Steps

WLL Frequency Auction in AJK & NA

PTA issued Wireless Local Loop (WLL) licenses for provision of cheap telecom services to maximum people in AJK and NAs. On November 28, 2008, WLL spectrum was auctioned for three telecom areas across AJK & NAs. In the bidding of spectrum in 3.5 GHz for Mirpur (TR-1), one block was taken by PTCL at the highest bid of Rs. 10 million, while other was withdrawn because there was no second bidder for the TR-1. For Muzaffarabad (TR-2), the PTCL offered the highest bid of Rs. 4 million followed by Wateen, which matched the price. For Northern Areas (TR-3), Wateen offered highest bid of Rs. 4 million, and the second block went to PTCL for the same price. In total, 26 million rupees would be collected from the auction of 5 WLL licenses in 3 regions.



Chairman PTA Dr. Mohammed Yaseen addressing the ceremony for Auction of WLL licenses for AJ&K and Northern Areas held on 28 November 2008. Member (Finance) PTA Syed Nasrul Karim A Ghaznavi also seen in the photo

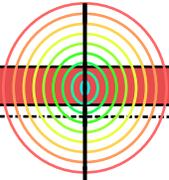
Chairman PTA presided over the bidding while Syed Nasrul Karim A Ghaznavi, Member (Finance) was also present. The bidding was attended by representatives of telecom industry, investors, media men, telecom experts and professionals.

On the occasion, the Chairman PTA said that WLL was the wireless technology, which best suited to the environment in AJK and NAs, as the service had proved greatly useful in other parts of the country. He said that the people of low income groups particularly in rural areas would greatly benefit from the service. He expressed his gratitude to the telecom operators and the CEOs of telecom companies for taking keen interest in the bidding process, assuring them that the PTA would extend full cooperation to them in successful launching of their business.

Issuance of WLL Licenses for AJK & NAs

In lieu of the WLL frequency auction on 28th November, 2008, PTA awarded Wireless Local Loop (WLL) licenses to M/s PTCL and M/s Wateen for three regions of Azad Jammu and Kashmir (AJ & K) and Northern Areas (NAs) on June 3, 2009. The ceremony was presided over by Chairman PTA, Dr. Mohammed Yaseen while Member (Finance), Syed Nasrul Karim Ghaznavi, Member (Technical) Dr. Khawar Siddique Khokhar, senior officers of the Authority and representatives of PTCL and Wateen were also present.

The issuance of WLL licenses would augment the efforts of government to provide enhanced and affordable telecom services to the people of the AJK and NAs. This step is likely to capture huge investment in 3 Telecom Regions (TR) including Mirpur, Muzaffarabad and Northern Areas. WLL technology is best suits to the environments



in AJ&K and NAs as the service had proved very useful in other far-flung areas of the country. The people of low income groups in rural areas would greatly benefit from this service. PTA would extend full cooperation to the telecom operators in the successful operation of their business.

Provision of Telecom Services in Neelam Valley

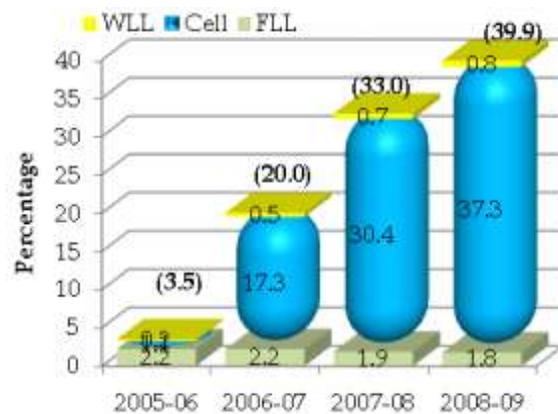
To ensure access to the basic telecom services for the people of Neelam Valley, PTA has initiated the process of consultations with major operators of AJK and NA. Owing to difficult terrain and close proximity with the border, this area requires special efforts by the companies, and hopefully, telecom services will soon reach this farthest area of Pakistan as well.

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Teledensity

In AJK and NAs, teledensity remained considerably low uptill de-regulation of the services in 2007. With a teledensity of 3.2 percent in 2005-06, the region had been lagging far behind from the rest of the country in terms of telecommunication services. However, with the advent of cellular services in AJK and NAs, a rapid growth in teledensity was observed. At the end of fiscal year 2008-09, teledensity of the area stood at 39.9%. This shows a healthy growth rate of telecom services despite the fact that the new operators are still in their infancy. The cellular sector further

Figure - 39
Teledensity in AJK & NAs



Representatives of PTA, PTCL and Wateen are exchanging WLL license documents while Chairman PTA, Dr. Mohammed Yaseen, Member (Finance), Syed Nasrul Karim A Ghaznavi and Member (Technical), Dr. Khawar Siddique Khokhar are witnessing the event.

tightened its grip on the overall teledensity of AJK and NAs by showing 18% growth last year. The FLL further declined to 1.8% from the previous year's 1.9%, while the WLL penetration improved from 0.7% in 2008-09 to 0.8%. With the formal launch of the WLL services in November 2008, the new entrants are expected to bring healthy competition in the market, improving the FLL and WLL penetration levels to greater proportion.

Cellular Subscribers' Growth

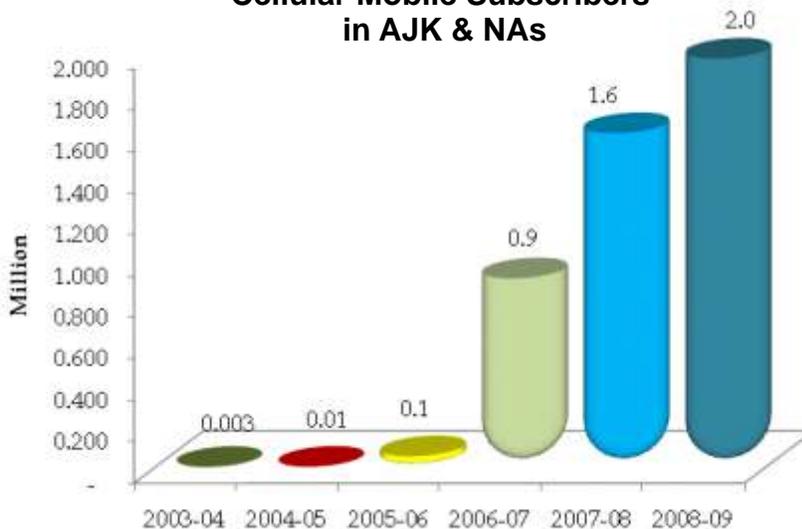
The cellular industry is the nucleus of AJK and NAs' telecom industry, as any rise or fall in its subscriber base leaves a huge impact on the telecom proliferation in the areas. The cellular industry has been growing at a remarkable pace since its launch, and by the end of June 2009, the total subscribers' number reached to 1.94 million.

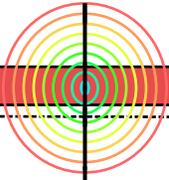
A net addition of 360,273 subscribers yields a growth rate of 22% during 2008-09. This may seem lower than 76% growth in 2007-

08, but it should be kept in mind that the total population of AJK and NAs is just 5 million. To cover 33% of population within two years is indeed an extraordinary effort by the cellular companies. In terms of growth rate, the SCO leads by a long margin from its competitors by achieving an astonishing 126% growth mark. Telenor follows it with a growth rate of 31%, while Warid and Ufone have almost similar figures of 12% and 11% respectively. Mobilink is the only casualty, reporting a decline of 18%. The main reason of this decline is the loss of subscribers in AJK as positive growth has been shown by Mobilink in NAs.

In terms of net addition of subscribers, Telenor leads with 166,546 new subscribers, closely followed by the SCO with 159,072 subscribers. Zong has also made a strong impression showing 94,872 subscribers, who had added since its launch. Warid and Ufone indicate slow growth with 23,876 and 17,420 net added subscribers during 2008-09. Conversely, Mobilink has lost 109,548 subscribers due to low investment, no significant expansion in network and aggressive marketing by other competitors.

Figure - 40
Cellular Mobile Subscribers
in AJK & NAs





Market Share

This year, Telenor has acquired the highest stake in the market with 36% share, displacing Mobilink from the top spot. Mobilink has lost 12% of its share from that of the last year, holding the second spot with 24% share. The SCO has shown excellent performance by increasing its stake from 8% in 2007-08 to 14% this year. Today, the company holds the second dominant share, i.e. 24%, which was 36% in 2007-08. Warid and Ufone have shown slightly decreasing trend, losing share by

1% each. They have respectively captured 11% and 9% share among the total subscribers of the region. This year, Zong is penetrating into the market aggressively with its share jumping from 3% to 6%. The SCO is also doing well from the previous reported year [2007-08]. During the current year, the company has shown addition of 5% in the share reaching to 14%. Warid and Ufone have lost 1% share each, holding 11% and 9% stake in the overall market. However, the new entrant, Zong has performed well by increasing its share from 1% in 2007-08 to 6% this year.

Geographical Coverage

Following the deregulation of cellular mobile sector in AJK and NAs in 2006, the industry has made a tremendous progress there. Today, the six mobile operators cover almost 82% population in over 270 cities/towns and villages in AJK and NAs. Of these destinations, 200 belong to AJK while the rest 70 are located in Northern Areas. Zong has invested heavily in cellular market, and thus, leads the coverage area strength by covering 246 cities/towns /villages. This is a remarkable achievement keeping in view the hard topography and testing weather conditions of the area.

Figure - 41
Cellular Market Share in AJK & NAs

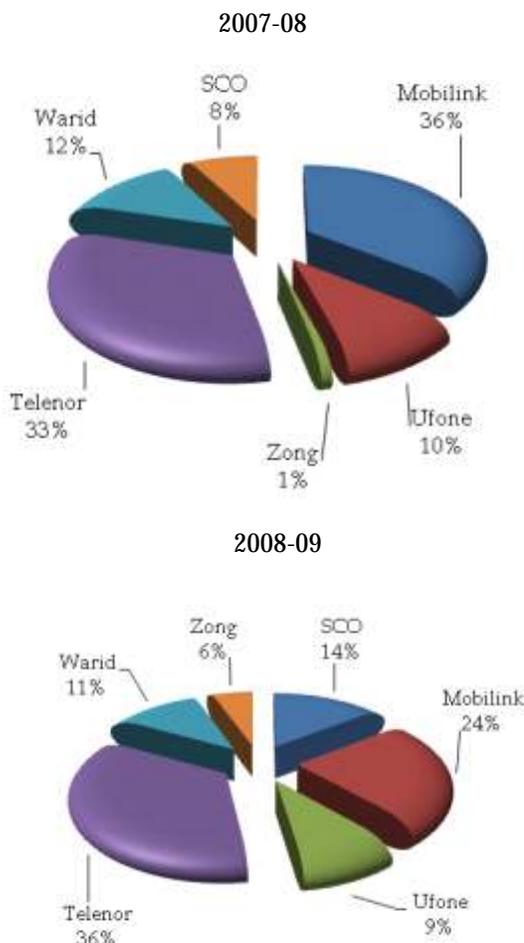


Table - 12
Cities/Towns/Villages Covered by company in AJK & Nas (2008-09)

	AJK	NAs	Total
Mobilink	100	4	104
Ufone	57	14	71
Zong	200	46	246
Telenor	43	5	48
Warid	31	22	53
SCO	73	70	183

In a tough competitive environment, network expansion has been the focus of the operators. There are a total of 944 cell sites across AJK and NAs, up from 668 of the last year, showing a growth rate of almost 41%. There are 726 cell sites in AJK with net addition of 214 cell sites this year, while Northern Areas are covered by 218 cell sites with 64 new installations during the year 2008-09. Telenor has the highest number of towers in the area with 268 cell sites across

Table - 13
Cell Sites by operator in AJK & NAs

Company	2007-08			2008-09		
	AJK	NAs	Total	AJK	NAs	Total
Mobilink	132	74	206	152	74	226
Ufone	38	9	47	72	17	89
Zong	53	0	53	156	45	201
Telenor	165	32	197	221	47	268
Warid	66	20	86	85	22	107
SCO	60	19	79	40	13	53
Total	514	154	668	726	218	944

AJK and NA. Mobilink and Zong follow with 226 and 201 cell sites respectively. This year Zong has added 246 new towers which is the highest number of towers installed among all operators.

The cellular operators are increasing the number of their franchises to facilitate the growing number of subscribers. Today, there are 68 franchises of all the operators across the region. Most of the franchises are located in AJK, and hopefully, the franchise concentration in Northern Areas will also increase with the growth in subscriber base.

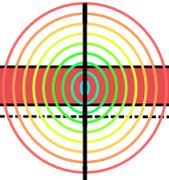
Table - 14
Franchises by company in AJK & NAs (2008-09)

	AJK	NAs	Total
Mobilink	15	0	15
Ufone	7	2	9
Zong	7	2	9
Telenor	12	2	14
Warid	10	0	10
SCO	6	5	11
Total	57	11	68

SCO in AJK & NAs

The Special Communication Organization (SCO) is a telecommunication Organization providing a variety of services to the far flung areas of AJK and NAs of Pakistan. Furthermore, the SCO, which had been the leading telecom service provider in the region until recently, has been engaged in a lot of other developmental activities also for provisioning of latest services to the inhabitants of these two under developed areas of Pakistan. The services offered by the SCO include Landline (PSTN), Cellular (SCOM), Wireless Local Loop (CDMA), Internet (SNET), Prepaid Calling Cards and several other state-of-the-art services like Digital Cross Connect (DXX) to its domestic as well as commercial users. The SCO is also planning to lay optical fibre cable link for international connectivity between Pakistan and China.

WLL has emerged as a catalyst for growth in the local loop segment of AJK and NAs' telecommunication industry, as fixed line customer base shrunk amid issues of line/service quality. The SCO still enjoys monopoly over fixed line and Wireless Local Loop Services, though many other operators have got licenses under the deregulation policy. FLL subscribers are continuously decreasing mainly due to popularity of WLL services. The SCO launched its cellular service with the brand name 'SCOM' in AJK in 2002 and NAs in August 2006. SCOM network is available in more than 183 cities/towns/ villages of AJK and NAs, having over 285,072 customers. The SCO's total customers including Cellular Mobile, Fixedline and



Wireless Local Loop Services have reached 418,444, and its total subscriber base grew by 58%.

The SCO also started to offer PCO service to the areas where complete telecom network deployment could not be made. But, the popularity of the PCO service was greatly

hampered by the launch of cellular mobile and its rapid coverage of areas, bringing a considerable decline in it last year. However, during 2008-09, the PCO market started regaining momentum showing positive growth of 15%, as compared to a decline of 70% in 2007-08.

Table - 15
SCO Subscribers in AJK &

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
FLL	75,369	92,257	104,240	121,381	101,168	92,536
WLL	2,413	2,558	10,001	27,648	37,619	40,836
Cell	3,000	5,032	53,000	104,041	126,000	285,072
Total	80,782	99,847	167,241	253,070	264,787	418,444

Table - 16
PCOs in AJK & NAs by SCO

	2006-07	2007-08	2008-09
Fixed	1,762	675	475
WLL	1,441	1,199	1,679
Total	3,203	1,874	2,154