

# Executive Summary

**K**eeping in view the vision of the present government of Pakistan, the Authority worked for the betterment of the people of nation at large and for national security. In addition to these efforts PTA kept on promoting local businesses, attract foreign investment and increase sector contribution in national exchequer. This year Authority decided to work on following four focus areas namely Consumer Protection, Promoting ICTs, Promoting Competition and Ensuring National Security in addition to routine regulatory activities.

During the year 2008-09, Authority continued to help curb terrorism & Earthquake victim's besides working on its focus areas. PTA donated Rs. 201 million (20 Crore 10 Lac Rupees) to the "Prime Minister's Special Fund for the Victims of Terrorism", established for the welfare and rehabilitation of Internally Displaced Person's (IDPs). Additionally, PTA in collaboration with mobile operators, through SMS service, contributed Rs. 5.67 million to Prime Minister's Special Fund for Victims of Terrorism and Chief Minister Punjab's Special Fund for IDP's. PTA employees also contributed their one day salary to the relief fund for earthquake victims of Balochistan.

In order to safeguard consumer interest and tackle their grievances, PTA launched a comprehensive complaint handling mechanism on 24th July 2009. Consumer Protection Department at PTA has received and effectively redressed more than 80,000 individual consumer complaints since its establishment. While building up the edifice of consumer protection, PTA issued Consumer Protection Regulations, Anti-SPAMs Regulations to control the obnoxious & unsolicited calls and Subscribers verification Regulations. In order to encourage dialogue and input from all stakeholders, PTA arranged a public forum in Karachi on 7<sup>th</sup> August, 2009 and similar events are also in the pipeline for other cities. The second most important focus area of work for PTA was the promotion of ICT's in Pakistan where the Authority intended to devise an effective mechanism to introduce emerging information & communication technologies and extensive proliferation of broadband services in Pakistan. In this regard, a number of steps have been taken during the year including the establishment of regulatory platform for Government and the stakeholder's interaction to identify core areas and develop guidelines for different ICT issues. In order to promote competition PTA took number of steps during the reported year including Reviews of Access Promotion Charges, pricing policies of mobile operators, interconnection guidelines, PTCL RIO etc. In addition to this a number of surveys were carried out to check the quality of different telecom services. PTA finalized a revenue sharing agreement between ISP's and PTCL for providing free Dialup internet services in Pakistan. It issued directives to mobile operators for proper advertisement of Government taxes and services charges on telecom services. The deteriorating security situation in Pakistan pushed the regulator to take some major precautionary steps in order

to assist Government of Pakistan in curbing the unsocial activities and security threats. In this regard a number of steps were taken including blocking of unregistered SIM, measures against elimination of gray traffic, preparing comprehensive plan for disaster management, monitoring and reconciliation of international telephony traffic and putting up system for activation of new SIM after verification. In addition to this PTA carried out research work in different areas as a result of which several consultation papers were floated in the industry to get feedback..

Pakistan's Economy experienced slow economic growth ending at 2% rather than the target of 5.5% mainly due to the adverse effects of global financial crisis, however, telecom sector continued to grow positively in terms of subscription, revenue and teledensity. As Pakistan provides lucrative investment environment for foreign investors in the telecom, it managed to attract US\$ 815 million in 2008-09. However, as most of the operators are foreign, the pessimistic outlook of global economy compelled the telecom operators to curtail the infrastructure expansion plans still total investments in the sector stood at US\$ 1.6 billion. Telecom revenues showed positive growth rate of 18% generating Rs. 327.8 billion in 2008-09. In June 2008, Government of Pakistan raised the GST/FED on cellular industry to 21% from 15%, introduced import duty on mobile handsets @Rs 750 with activation tax @Rs 500 per new connection already in place. PTA immediately stepped into the scenario and took up the uphill task of convincing the Government of Pakistan to facilitate the sector by brining down the tax rates on telecom industry. As a result, Government announced reduction in GST from 21% to 19.5%, reduction of activation tax from Rs 500 to Rs 250 and cutting down import duty from Rs 750 to Rs 250 in budget 2008-09. During the year, the

sector contributed a total of Rs. 112 billion to national exchequer in the form of taxes. Telecom teledensity remained on the positive side of the scale and stood at 62% showing a growth of 5.4% at the end of fiscal year 2008-09. All of these helping measures by the Authority and Government are balancing the impact of previously high taxes, low affordability and falling exchange rates as telecom imports also grew by 20% and reached US\$ 1.7 billion in 2008-09.

Despite world's largest and most experienced mobile companies operating in Pakistan, the sector experienced slow growth in 2008-09 due to economic slowdown and high taxes but facilitating reforms by the Regulator and Government are stabilizing the market. The mobile penetration reached 57.4% and total mobile subscribers reached 94.3 million with more than 90% of the country having mobile access. The trend in subscription remained to be heavily tilted towards prepaid subscription whereas only 2% subscribers are postpaid. Mobilink is still leading the mobile market with more than 30% market share in terms of subscribers. Although the financial strength of mobile segment remained invariable still the cellular revenues grew by 16% and stood at Rs. 212 billion at the end of 2008-09. The mobile investments dropped by 48% and reached US\$ 1.4 billion in the reported year. The industry ARPU stands at US\$ 2.48 showing a drop of 20% from last year. Major milestones achieved by the Regulator for mobile sector include reduction in the rate of GST from 21% to 19.5%, in addition to bringing down the activation tax by 50% while reducing the import duty on mobile handsets by 66%. Similarly cleaning of unverified SIMs and SIM activation system (789) now in place is expected to curb the unsocial activities. Reduction in mobile termination rates by the regulator will also go a long way in improving the current financial situation of the industry. During 2008-09, basic services showed a healthy

revenue growth rate of 26% contributing Rs. 121 billion to the sector revenue which is around 36% of the total telecom sector revenue. With the declining fixed line teledensity reaching 2.2%, PTCL remained dominant in the sector despite the presence of many new FLL companies. There are a total of 3.5 million fixed-line subscribers in the country. There remains room for fiber deployment in rural areas of Pakistan. Wireless local loop (WLL) has been able to sustain positive growth by winning the trust of customers. The WLL teledensity stands at 1.6% with 2.65 million subscribers across Pakistan. Wireless service providers have been able to penetrate the market by offering viable business solutions in the form of PCO's. Long Distance & International (LDI) operators have been in quandary for last few years due to high settlement rates and alarmingly high grey traffic. However, PTA took control of the situation and initiated a number of steps in close coordination with LDI stakeholders. As a result, LDI sector experienced exceptional growth, reduction in illegal traffic and improved call rates. Currently, there are 09 companies providing LDI services via 163 Points of Presence (POP's) all across Pakistan.

Pakistan has been experiencing proliferation of Broadband in the past two years. Broadband subscriber base grew by 146% adding 245,727 subscribers during 2008-09. There are currently 413,809 Broadband subscribers in Pakistan as compared to 168,082 in 2008. PTCL, Wateen and WorldCall are major players in the Broadband market of Pakistan having a combined share of over 79%. As Broadband is still in its infancy in Pakistan, therefore, penetration level is relatively low i.e. 0.26 %. Broadband connection charges for 1Mbps connection dropped below Rs. 1000/- for the first time in history which is a great incentive for new customers. DSL ruled the Broadband market of Pakistan since 2007 due to an established fixed line infrastructure by PTCL. HFC, WiMax and EvDO broke the

monopoly of DSL last year, however, the scenario changed completely when WiMax truly established itself as a viable wireless Broadband solution and EvDO made a promising start in the market in the reported year. Currently, there are 405,359 PCO's all over Pakistan as compared to 449,121 the last year. This shows a negative trend of 9.7% for the first time in the CPP history of Pakistan. The main reason behind this slide is the availability of affordable cellular tariffs, low cost of mobile phones and cellular coverage across Pakistan.

At the end of fiscal year 2008-09, total teledensity of AJK & NAs stands at 39.9% up from 33.1% last year. Cellular industry has been propagating at a remarkable pace since its arrival and total subscriber number has reached 1,973,742 by the end of June 2009. With such high number of mobile subscribers the mobile penetration reached 33% in just 2 years. Almost 82% population of the AJK & NAs is covered with mobile services. Today more than 270 cities/villages and towns are covered by all six operators in the region. PTA completed licensing of WLL services in AJK & NAs and auctioned spectrum in 3 telecom regions. It is expected that WLL will be a successful service in AJK and NAs due to cheaper rates and easy availability.

With the current global and local political and financial situation, the telecom sector had to face tough challenges in the current year. However, being a Regulator PTA has worked diligently for the betterment of the sector so that consumers, investors and Government can all be benefited from it. As we have entered the new year, fruits of positive reforms by the Government and effective regulatory interventions of the Authority are already proving revolutionary the sector is showing signs of recovery. With all our efforts for uplift of the sector, it is expected that it would perform well and stand up to the expectations of all.