GOVERNMENT OF PAKISTAN
PAKISTAN TELECOMMUNICATION AUTHORITY
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Consultation Paper on Recommended Price for Data Services

The purpose of this consultation is to analyze and examine the feedback of all relevant stakeholders as; *i) to set level of retail prices for Mobile Data / Broadband services, ii) to ensure provision of services to end users in accordance parameters of Quality of Service and iii) to encourage introduction of innovative broadband services.* Comments on the paper may be reached by within fifteen days of publication of this paper 2016 at the following at address:
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Email: dataservice@pta.gov.pk
Note: Comments received after deadline will not considered.

1. Introduction

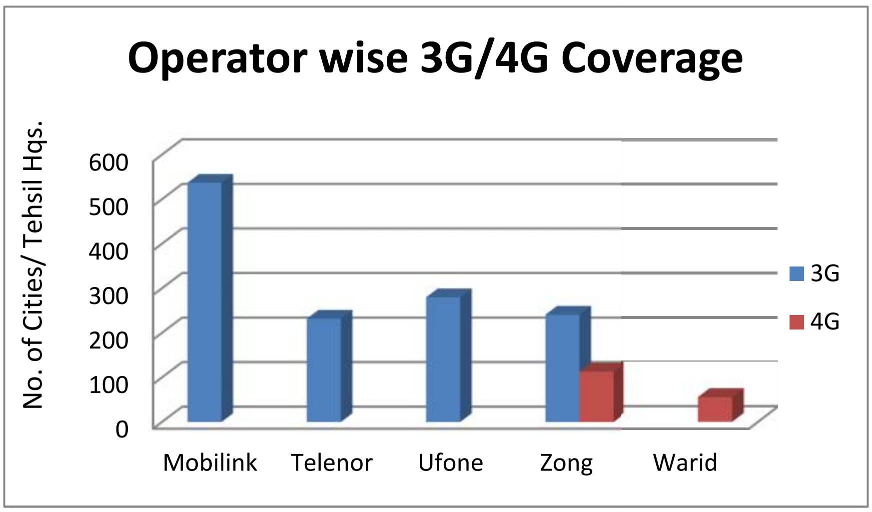
1.1. Pakistan was lagging behind in the domain of Information and Communication Technologies (ICT) with regards to provision of Third Generation (3G) and Fourth Generation (4G) services. The Government of Pakistan (GoP) took cognizance of the advanced services being offered in rest of the world and issued Policy Directive No.1-1/2013-DT on 7th October 2013 so that the people of Pakistan can also benefit and take advantage of modern technologies. After receipt of said directive, PTA auctioned in the 2100 MHz band and 1800 MHz bands in April 2014. Resultantly, Mobilink, Telenor, Ufone and Zong were awarded spectrum in the 2100 MHz band, whereas as Zong was the sole winner in the 1800 MHz band.

1.2. Keeping in view the successful auction of spectrum for Mobile Broadband and overwhelming demand / response of broadband users in Pakistan, GoP further auctioned 10 MHz spectrum in 850 MHz band and Telenor Pakistan was awarded 10 MHz of spectrum recently.

2. Status of Data Services by CMOs in Pakistan

2.1. Presently, four CMOs are offering advanced 3G services known as High Speed Packet Access Plus (HSPA+), while Zong and Telenor are offering 4G LTE services whereas Warid has refarmed some of its existing spectrum to offer LTE Rel. 9 services. All CMOs are aggressively extending their Mobile Broadband coverage and these services are now available in all metropolitan cities across the country with enhanced speeds and quality of service. PTA is of the view that this could not have been possible without CMOs' commitment towards aggressive broadband penetration strategy for maximum coverage specifically targeting the masses.

2.2. Resultantly, there has been tremendous increase / uptake in broadband subscriber-base. Mobile Broadband penetration today stands at approximately 26% (34.3 Million MBB subscribers out of 134 Million cellular subscribers) which is amongst the highest in the region. As of September 2016, broadband subscribers are around 37 million which shows trend of high growth rate w.r.t. penetration of broadband services in Pakistan. Mobile broadband subscribers/operator/month for the last 7 months is placed at Annexure-I.



2.3. The telecom market is witnessing strong growth in mobile broadband traffic as there is subscribers' uptake of mobile broadband services. Primarily, the reason for strong growth is aggressive marketing and sales promotions by CMOs. However, the current pricing mechanism under intense competition among CMOs is not sustainable for a longer term. Resultantly, it may slow down investment in the broadband network which is required continuously to meet the quality of service standards and spectrum / bandwidth requirements of 3G/4G and other digital services. PTA Annual Report for the year 2016 also highlights the marked difference in the growth of broadband data usage versus the growth in the data revenues in the last two years as follows:

	June 2015	June 2016	June 16 Vs. June 2014
Data Usage (TBs) Growth	534%	173%	1,631%
Data Revenue Growth	45%	27%	84%

3. The Issue - Pricing for Data Services

3.1. Globally, telecom markets are developing as the portfolio of data and associated digital services in addition to traditional voice services. Same trend is being observed in Pakistan, however, there is an intense price war among operators for provision of data services even in the nascent stage of the mobile broadband data proliferation. This situation has led to a number of issues such as unlimited / unpublicized pricing offers / promotions resulting in consumers to make impulsive decisions without considering and comparing with other packages, lesser incentives for operators to invest in their networks and acquire more spectrum from time to time in order to meet the quality of service and bandwidth requirements of accelerated digitalization. In this regard, PTA has also received a request from one mobile operator to regulate prices of data services with the objective to ensure increasing demand of consumers (individual as well as Small & Medium Enterprise) for enhanced mobile broadband services while preventing potential market failure.

3.2. A study conducted by an international research firm Mackenzie has highlighted that mobile data revenues per MB in Pakistan are one of the lowest in the world i.e. US cents 0.55 per MB in 2014 which has further dropped to US cents 0.25 per MB in 2015 and US cents 0.20 per MB in 2016. It can be inferred that this drastic drop of 63.6% in overall revenue per MB during the last 2 years is actually due to data dumping practices being adopted by different operators under hyper competition. Mobile data revenues per MB have also been compared with similar economies such as India, Sri Lanka, Indonesia, Egypt and Tunisia wherein they are in the range of US cents 0.50 per MB to US cents 0.80 per MB respectively. A recent report by the World Economic Forum on "The Global Information Technology Report 2016 (https://www.weforum.org/reports/the-global-information-technology-report-2016/)" puts Pakistan at 110 out of 139 countries. However, in the category of affordability Pakistan is number 1. That shows that Pakistan has the lowest prices in the world.

3.3. The huge decrease in mobile data revenues per MB has resulted in destabilization of broadband market which is an unexpected phenomena at such a nascent stage. Today, the industry is facing large number of unpublished / unpublicized 'Below the Line' data offers which can be considered as anti-competitive and difficult to sustain for longer period of time. Furthermore, certain data promotional offers could not accomplish the true economic potential of broadband services through productive usage, rather it has resulted in social menaces. As a consequence, abuse of critical resources and promotion of unhealthy practices are being observed in the youth. Furthermore, the operators are suffering losses, as the data traffic volumes have increased dramatically in proportion to revenues, leading to high operating costs and leaving little room to further invest in networks. Packages with volumes and Price Per Megabyte (PPMB) are placed at Annexure-II.

3.4. Another aspect which requires careful deliberation is the fact the there has been general increase in the price of goods and services owning to inflation and other factors. However, telecommunication sector (especially cellular mobile) is the only sector in Pakistan which has witnessed constant decline in prices / tariffs owing to technological advancements and price wars. Therefore, it becomes imperative that appropriate action in the form of minimum price should be initiated to bring stability in the broadband market.

4. Financial Health of CMOs

4.1. According to the Annual Audited Accounts (AAAs) submitted to PTA by CMOs, it has been observed that there is an increase (2% to 6%) in net revenues of three CMOs whereas two operators have reported decrease in revenues (-5.7% to -11%) for the Financial Year (FY) 2015 as compared to 2014. Although it is a healthy sign that all the operators have positive gross profit margin but percentage of gross profit margin has decreased for three operators for FY 2015. Regarding Net Profit/(Loss), four out of five operators have reported net losses which is not a healthy sign for the industry. The current financial state of CMOs further reinforces the need to strengthen the sector through appropriate pricing practices.

5. International Experience

5.1. It has been observed that regulatory authorities have intervened whenever there is imbalance in the telecom market. For example, Telecom Regulatory Commission of Sri Lanka (TRCSL) introduced price floor regime in 2009 as a result of price war which was going on among mobile operators. TRCSL observed that some of the mobile operators were involved in anti-competitive practices and predatory pricing mechanism. Resultantly, other operators were forced to offer and match such kind of tariff packages to prevent churning of their customers. These practices affected the profitability of mobile telecom industry which was witnessing positive earnings till 2008. In order to address the issue of unhealthy competition and protect and maintain the profitability of the sector, TRCSL introduced price floor for on-net (same network) and off-net (different network) calls. Similar action was initiated by the Information and Communications Technologies Authority (ICTA) of Turkey which imposed price floor for on-net calls on the dominant Mobile Network Operator (MNO). The action was initiated as the dominant MNO was charging significant price differentials for on-net and off-net calls.

5.2. As evident from the above, regulatory authorities have intervened in the market and taken corrective measures not only to address pricing issues but also to promote rollout of telecommunication infrastructure for ensuring efficient management of telecom resources.

6. Advantages of Data Price at Retail Level

6.1. As to protect and safeguard the interest of consumers as well as operators there is a need to set a level of retail tariffs / prices which should encourage operators to further invest in their networks as well as acquire more spectrum to continuously improve quality of services (QoS) while offering competitive and affordable services to their subscribers. In this regard, the minimum Mobile Broadband speed would also be realized upwards. PTA is of the view that appropriate price for data services will lead to the following benefits:

I. Introduction of healthy and competitive regime leading to expeditious network rollout of services and investment in the mobile broadband segment for sustainable mobile broadband proliferation.

II. Enhanced Quality of Service that satisfies growing needs of the consumers (individual as well as SMEs) with specific reference to digitalization of services (Internet of Things, E-Governance, E-Health etc.).

III. Increase confidence of the consumers in use of mobile broadband by reducing free access with potential non-social use of social media and channelizing the youth in a more creative direction.

IV. Ensuring long term sustainability of the telecom industry in consultation and collaboration with all stakeholders including consumers, government and operators.

Considering the aforementioned advantages, all telecom users, stakeholders, interested persons and the general public are requested to submit their comments on the issue highlighted in this consultation paper within two weeks of publication of this paper.

Annexure - I

Number of Mobile Broadband (3G&4G) Subscribers

Operator	Technology	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	Sep. 2016
CMPak	3G	5,681,113	5,770,900	5,921,890	5,988,197	6,512,982	6,755,323	6,663,710
	4G	535,936	584,540	630,277	680,620	789,824	921,526	1,713,900
Mobilink	3G	8,494,389	8,716,343	9,261,146	8,919,218	10,200,672	10,412,410	10,955,525
Telenor	3G	7,690,529	8,023,000	8,278,048	8,371,991	8,639,030	8,795,937	9,110,397
Ufone	3G	5,180,643	5,279,282	5,326,429	5,223,096	5,269,266	5,258,699	5,297,543
Warid	LTE	283,761	302,016	330,876	347,132	367,775	555,167	577,275
Total		**27,866,371**	**28,676,081**	**29,748,666**	**29,530,254**	**31,779,549**	**32,699,062**	**34,318,350**

Annexure - II

Operator	Name	Price	Volume in MB	PPMB
Mobilink	Late Night Offer	15	500	0.03
	Monthly lite	250	3,000	0.08
	Monthly Smart	500	6,000	0.08
	Monthly Heavy	1,200	13,000	0.09
Zong	Good Night Offer	6	1,000	0.01
	Monthly Premium 6GB*	600	36,000	0.02
Telenor	3G Daily Unlimited	13	750	0.02
	3G Hourly	6	500	0.01
	3G unlimited Daytime	70	3,000	0.02
	Weekly Plus	100	1,200	0.08
	3G Monthly Lite	150	2,000	0.08
Ufone	Special Daily	5	50	0.01
	Mega Internet	99	1,000	0.1
	Monthly 10 GB	1,000	10,000	0.1

*Plus 1GB every night (1am to 9 am)