GOVERNMENT OF PAKISTAN
PAKISTAN TELECOMMUNICATION AUTHORITY
Headquarters F-5/1, Islamabad
http://www.pta.gov.pk

F. No. PTA/CA/CA/316/15-30/21 24th November 2021

Determination on Mobile Termination Rate

Date of Consultation Paper:	2nd July, 2021
Venue of Hearing:	PTA HQs, Islamabad
Date of Hearing:	20th September, 2021

Panel of Hearing:

Maj. Gen. Amir Azeem Bajwa (R):	Chairman
Dr. Khawar Siddique Khokhar:	Member (Compliance & Enforcement)
Muhammad Naveed:	Member (Finance)

Issue
"Mobile Termination Rate"

1. Introduction

1.1 Pakistan Telecommunication Authority (the "Authority") under the Pakistan Telecommunication (Re-organization) Act, 1996 (the "Act") is mandated to perform, *among others*, the following functions to:

i. regulate the establishment, operation and maintenance of telecommunication systems and the provision of telecommunication services in Pakistan;
ii. promote and protect the interest of users of telecommunication services in Pakistan;
iii. promote the availability of a wide range of high quality, efficient, cost effective and competitive telecommunication services throughout Pakistan;
iv. regulate arrangements amongst telecommunication service providers of sharing their revenue derived from provisions of telecommunication service; and
v. regulate competition in the telecommunication sector and protect consumer rights.

1.2 Section 5 (2) (h) of the Act, the Authority is empowered to provide guidelines for, and determine, the terms of interconnection arrangements between licensees where the parties to those arrangements are unable to agree upon such terms. In addition, sub-rule (4) of Rule 16 of the Pakistan Telecommunication Rules 2000 (the "Rules") and Clause 18.6 of the Interconnection Guidelines empower the Authority to establish interconnection charges on the basis of international benchmarking when adequate cost information is not available.

1.3 The Authority under rule 17 of the Rules has determined all mobile operators in Pakistan and Azad Jammu and Kashmir (AJ&K) and Gilgit Baltistan (GB) as Significant Market Power (SMP) operators in the individual mobile interconnection market vide its Determinations dated 21st May 2021.

1.4 Pakistan's cellular mobile market has undergone substantial changes in the past decade. Cellular tele-density has reached 85.33% as of October 2021. Cellular mobile subscribers now stand at 187.2 million and CMOs revenues have jumped to Rs. 421.87 billion in FY 2020. There have also been significant regulatory and market developments. Mobilink and Warid have merged into a single entity thereby reducing the number of cellular operators to four. Consumer tariff structures have also changed drastically. Over the years, the differential in the on-net and off-net call rates has increased and operators are offering an increasing number of on-net offers including free on-net calls. Mobile Termination Rate (MTR) plays a critical role in driving the retail tariffs especially for off-net calls. Further, as per GSMA, regulation of MTR is aimed to improve consumer welfare and increase competition in the market. [1]

1.5 PTA, vide its Determination dated 16th November 2018, reduced MTR to Rs. 0.80 per minute from January 2019 to December 2019 and Rs. 0.70 per minute from January 2020 onwards. Since current MTR @ Rs. 0.70/min in Pakistan is still higher than the benchmarking results of the MTR determination in 2018 and the MTRs prevailing in regional countries. It has been noted that countries are continuously decreasing mobile termination rates to promote competition. Further, PTA has also received requests from telecom operators to review the existing mobile termination rate.

1.6 Telecommunication Policy 2015 under Clause 5.1.12 and 5.7.4 requires that the termination rates be reviewed every two-three years to ensure fair and competitive market. In the case of Pakistan, data on cost-based interconnection charges is not readily available, therefore, an alternate option available is benchmarking method to determine MTR. Accordingly, this consultation paper provides international benchmarking analysis for the determination of MTR in Pakistan in line with the Pakistan Telecommunication Rules, 2000 and clause 18.6 of the Interconnection Guidelines which allows PTA to establish interconnection charges on the basis of international benchmarking when adequate cost information is not readily available.

2. Consultation on MTR

2.1 PTA issued consultation paper on MTR on 2nd July 2021 using benchmarking analysis for the determination of MTR in Pakistan. As per the International Telecommunication Union (ITU), benchmarks may be more appropriate in developing markets where the informational requirements of

[1] https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/10/settingofmobileterminationrates.pdf

cost-based approaches are too onerous for operators and regulators.[2] There are number of countries that have adopted benchmarking methodology for determining termination rates such as Australia and New Zealand. Australian Competition and Consumers Commission (ACCC) in 2020 has considered that international benchmarking is a more pragmatic approach to use while ACCC further explores the possibility of cost modelling when 5G deployment is more advanced in Australia. Further, Body of European Regulators for Electronic Communications (BEREC), in December 2020, has reported that seven European countries use benchmarking model for determination of their MTRs, namely Albania, Estonia, Iceland, Lithuania, Romania, Serbia and Kosovo.[3]

2.2 It has been noted that countries are continuously reducing their MTRs over time considering reduction in cost related to interconnection and to ensure a level playing field and competition in mobile markets. Comparing the countries (included in the analysis for MTR Determination 2018), it is evident that the MTRs are declining in majority of these countries since the last MTR review in Pakistan. Table-1 below shows a few examples.

Table 1: Reduction in MTR/Min Rates

Country	Earlier MTR	Existing MTR
Australia	AUD 0.017 (August 2015)	AUD 0.012 (October 2020)
Norway	NOK 0.043 (January 2019)	NOK 0.032 ((January 2020)
Portugal	Eurocent 0.85 (August 2015)	Eurocent 0.36 (July 2019)
South Africa	R 0.12 (October 2018)	R 0.09 (October 2020)
Saudi Arabia	SAR 0.15 (February 2015)	SAR 0.022 (2017)
United Kingdom	GBP 0.495 (April 2017)	GBP 0.468 (April 2020)
India	Rs. 0.14 (January 2017)	Re. 0 (January 2021)
Bangladesh	Taka 0.18 (June 2017)	Taka 0.14 (August 2018)
Brazil	Reals 0.23 (2018)	Reals 0.018 (2020)
Germany	Euro 0.011 (2018)	Euro 0.009 (July 2020)

[2] ITU Arab Regional Workshop for Arab LDCs on Interconnection Regulation in IP based environment, Sudan, 2015.
[3] Termination rates at European Level – BEREC.

Italy	Euro 0.0098 (2018)	Euro 0.0076 (July 2020)
Malaysia	Ringgit 0.036 (2018)	Ringgit 0.01 (2020)
Mexico	Peso 0.07 (2018)	Peso 0.05 (2020)
Spain	Euro 0.007 (2018)	Euro 0.0064 (July 2020)
Tanzania	Shilling 5.20 (January 2020)	Shilling 2.60 (January 2021)
Pakistan	Rs. 0.80 (January 2019)	Rs. 0.70 (January 2020)

2.3 Considering MTR in USD of regional countries, Pakistan's MTR @ US cents 0.40 per minute is much higher than those of Bangladesh, India, Malaysia and Sri Lanka that turn out to be US cents 0.16, 0, 0.24 and 0.25 respectively. [4]

2.4 There has been a long-term global drive to push down interconnect rates to reduce end-user tariffs in particular off-net rates and to provide a level playing field and competitive service. In markets with lower or zero MTRs, it has been observed that mobile network usage increases accordingly, with mobile companies in such markets free to introduce service packages including features like unlimited calling to any network.

2.5 In line with Pakistan Telecommunication Rules, 2000 and Interconnection Guidelines, 2004, PTA issued consultation paper to determine termination rates based on international benchmarking in the absence of cost-based estimates.

International Benchmarking Analysis

2.6 In order to determine MTR for Pakistan through benchmarking, a large sample of 26 countries was selected considering a wide-spread selection from Asia-pacific and Europe considering the feedback of operators during 2018 consultation on MTR. Using standard benchmarking practice, MTRs of sample countries in their local currencies were converted to US cents, using PPP (purchasing power parity) adjustments applied to 60% of each country's MTR to allow for the differences in the relative cost of living between benchmark countries (see **Table 2**). This proportion was based on a standard assumption used when benchmarking, that broadly 60% of the annualized costs of telecommunications operators are represented by labor costs and thereby reflective of local rates of pay and the cost of living.

2.7 For the sample of 26 countries, average benchmark MTRs were calculated using mean and

[4] @ Rs. 175.1789 / USD for Pakistan taken from https://www.sbp.org.pk/ecodata/crates/2021/Nov/19-Nov-21.pdf
Currency exchange rates for other countries taken from https://www.xe.com/currencyconverter/

median of PPP adjusted MTRs and compared with the PPP adjusted MTR of Pakistan. Resultantly, proposed MTRs for Pakistan are calculated as Rs. 0.30 and Rs. 0.28 by mean and median PPP adjusted benchmarks respectively. For alternate benchmarking, the Authority has considered Average Revenue per User (ARPU) of sample countries relative to Pakistan's ARPU. Using this ARPU adjusted benchmarking, proposed MTR for Pakistan is between Rs. 0.27 (mean) and Rs. 0.13 (median). Current MTR in Pakistan @ Rs. 0.70 per minute is still on a much higher side compared to the above proposed MTR between Rs. 0.13 to Rs. 0.30, based on international benchmarking. Therefore, it was proposed in the consultation paper that MTR in Pakistan may be determined @ Rs. 0.30 per minute w.e.f. 01st October 2021.

Table 2: Benchmarking Analysis – Sample of 26 Countries

Country	MTR/min in local currency	MTR/min (PPP adjusted in US cents)	MTR/min US cents	MTR/min US cents (adjusted w.r.t. Pak ARPUs)	PPP Conversion Rate
Austria	0.0080	1.0019	0.9077	0.0706	0.7560
Australia	0.0119	0.8359	0.8629	0.4762	1.4550
Bangladesh	0.1400	0.3140	0.1631	0.1406	33.7680
Brazil	0.0180	0.5960	0.3267	0.0995	2.3210
Croatia	0.0449	1.0937	0.6744	0.0748	3.2720
Denmark	0.0384	0.5846	0.5821	0.0429	6.5470
France	0.0074	0.9330	0.8346	0.0498	0.7410
Germany	0.0090	1.1357	1.0150	0.1045	0.7400
Greece	0.0062	0.9730	0.7015	0.0790	0.5390
India	0	0	0	0	22.1080
Italy	0.0076	1.0327	0.8571	0.0841	0.6610
Malaysia	0.0100	0.4778	0.2391	0.2621	1.5700
Malta	0.0040	0.6060	0.4562	0.0386	0.5730
Mexico	0.0542	0.4489	0.2604	0.0551	9.4370
Norway	0.0320	0.3354	0.3588	0.0159	10.0070
Philippines	0.0140	0.0536	0.0276	0.0162	19.7400
Portugal	0.0036	0.5447	0.4060	0.0449	0.5650
Spain	0.0064	0.9213	0.7218	0.0535	0.6070
Sri Lanka	0.5000	0.6602	0.2470	0.1819	53.4350
Sweden	0.0207	0.2340	0.2313	0.0142	8.7790
Thailand	0.2700	1.6567	0.8222	1.3029	12.2000
Tanzania	2.6000	0.2158	0.1130	0.0759	914.2910
Turkey	0.0333	1.1427	0.2988	0.0780	1.9530
Ukraine	0.1200	1.1323	0.4516	0.2622	7.5660
United Kingdom	0.0047	0.6671	0.6292	0.0457	0.6760
Pakistan *	0.7000	1.1720	0.3996	0.3996	41.4960

Note: * In order to incorporate the impact of recent rupee depreciation, figures in this Table have been updated with recent country exchange rates. Resultantly, Pakistan's MTR in USD term is calculated at USD cents 0.40 at the exchange rate of Rs. 175.1789 /USD as per SBP website (https://www.sbp.org.pk/ecodata/crates/2021/Nov/19-Nov-21.pdf) and exchange rates for other countries are taken from https://www.xe.com/currencyconverter/. Therefore, the figures in this table are slightly different from the respective table provided in the Consultation Paper issued on 2nd July 2021.

Table 3: Benchmark MTR for Pakistan – Sample of 26 Countries

Proposed Pakistan MTR (in PKR)				
	PPP adjusted		APRU adjusted	
	Average MTR / min	Median MTR / min	Average MTR / min	Median MTR / min
2021 Consultation (including impact of recent depreciation) *	0.30	0.28	0.27	0.13
2021 Consultation **	0.30	0.28	0.24	0.12
2018 Determination	0.48	0.42	0.38	0.19

Note: * In order to incorporate the impact of recent rupee depreciation, figures have been updated using recent country exchange rates.
** As per Consultation Paper issued on 2nd July 2021.

3. Operators' Comments on the Consultation Paper and Authority's Response

3.1 In order to proceed further in the matter, a Consultation Paper dated 2nd July 2021 was circulated and comments were sought. It is relevant to point out that on the requests of Telenor and Jazz, deadline for submission of comments was extended twice i.e., 2nd August & 16th August 2021. The comments / observations and proposed MTR received from operators are provided in the following paragraphs along with PTA's response.

Telenor and PMCL (Jazz)'s Comments:

3.2 PTA's proposal to reduce the MTR to Rs. 0.30 by October 2021 is a drastic step. It would have a deeply negative impact on Telenor's interconnection revenues and its profitability. PTA's proposal builds on the benchmarking study undertaken on a group of countries. Some of which have lower MTR, whereas a number of countries with higher MTR are ignored. A sample of countries having higher MTR than Pakistan has been shared by Telenor for consideration.

3.3 Telecom market has not changed significantly after the last revision of MTR was undertaken, to justify such a drastic drop in MTR from PKR 0.70 to PKR 0.30. Overall, in terms of benchmarking, Pakistan's rates are amongst the lowest in the world in absolute USD terms. There is no evidence of termination rates having any significant contribution to skew in the telecoms market. The proposed downward revision will trigger off-net aggression/price war resulting in lowering the already low tariffs to unprofitable levels which will inevitably impact the efforts to improve Quality of Service and coverage. Moreover amid slow economic growth, inflation and rupee devaluation, abrupt reduction in the MTR would further deflate the telecoms market.

3.4 The MTR rate determined in 2018 proposed a gradual decline through a glide path model from PKR 0.80 to PKR 0.70 when the exchange rate was at PKR 138 against a USD. Presently we are at PKR 171. PMCL would make its case for increasing the MTR in the same ratio as the cost of interconnection is a function of imported equipment paid in USD. Due to rupee depreciation, PMCL considers that MTR should be revised upward rather than downward, and a detailed analysis is required to include all the demographic, economic, market and other factors.

3.5 Pakistan's economy has undergone a drastic devaluation in currency by more than 60% in the last 5 years. In real dollar terms, therefore, MTR has effectively decreased by 60% in the last 5 years. Telecom industry's operational expenditure has appreciated significantly during the same period due to rapid increase in energy prices which has introduced further pressures on our financial viability. A rapid decrease in interconnect revenue will further aggravate the existing challenges.

3.6 Pakistan presently maintains an extremely competitive telecom market. Moreover, competition is further regulated with respect to tariff approvals after the merger of PMCL and Warid. Consumer welfare with respect to affordability of service is therefore already adequately protected.

3.7 India's example is not the right one for Pakistan to follow due to the reason that India's decision to abolish MTR came with a change in billing mechanism – i.e. the implementation of "bill and keep" model. This overall regime change resulted in an average increase of 15-25% in tariff plans. Also, multiple regime changes in India have resulted in multiple bankruptcies and spectrum auction failures in recent years.

3.8 EU countries usually undertake a combination of cost studies as well as benchmarking to determine MTR caps. This study is normally followed by a multiple-year glide path to allow enough time for the industry to adapt to the new termination rates. This drastic proposal comes at a time when the industry is preparing for two spectrum auctions and ambitious roll-out obligations associated with licences in Pakistan and AJ&K and GB. This will require significant network investments, which is already a challenge, given the low ARPUs in Pakistan.

3.9 MTR effectively serves as a price floor for voice tariffs. Decreasing MTR will increase the price war that continues to afflict Pakistan's telecom sector and eventually the relatively stable voice tariff market will become vulnerable to another round of unhealthy price war. MTR is a source of FOREX inflow and the reduction in MTR will be counterproductive to what Government of Pakistan emphasizes, i.e. increasing foreign inflows. No empirical evidence has been shared to support the intended consequences of MTR reduction. PTA should share impact analysis of reduction since 2018 Determination before any further action. Telenor recommends that current MTR to be kept stable for another two years and local and international MTR be segregated in light of PTA's Determination dated 16th November 2018.

3.10 Studies indicate that there is no or limited evidence of any link between MTR reduction and market share of smaller operators, increased usage, low mobile prices. Furthermore, through determination on Mobile Termination Rate (MTR) dated 16th November 2018, PTA took a hybrid approach and introduced a gradual decrease via a glide path to write off the negative effects of a sudden reduction in the MTR. The abrupt decrease in MTR can have enormous effects on all operators which PMCL requests PTA to take under consideration before proposing a major decrease in the MTR. An abrupt decrease in MTR is not suggested as consumers have option to use OTTs for off-net calls. Rather, a pragmatic approach may be used and conduct an independent cost / benchmarking study to arrive at appropriate quantum and trajectory of the Termination rate reduction in totality rather than looking at Fixed line and Cellular mobile in isolation, through a series of consultative workshops.

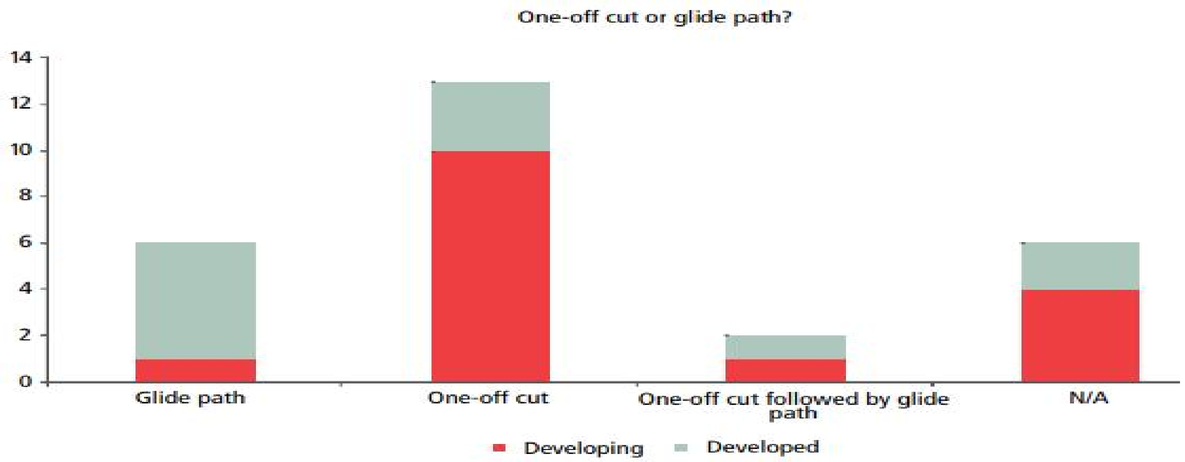
PTA's Response:

3.11 Considering MTR in USD of regional countries, Pakistan's MTR @ US cents 0.40 per minute is much higher than those of Bangladesh, India, Malaysia and Sri Lanka that turn out to be US cents 0.16, 0, 0.24 and 0.25 respectively. It may further be noted that during consultation in 2018, international Benchmarking results estimated MTR for Pakistan between Rs. 0.18 to Rs. 0.43 per minute, whereas, the Authority reduced the MTR to Rs. 0.70 per minute, therefore, further revision is already over-due since January 2021.

3.12 The Authority has included sufficiently large sample of countries in its analysis and more than half of these countries have higher MTR than Pakistan in absolute USD terms (see Table 2). Therefore, the sample is representative and have sufficient numbers of countries with higher MTR as well. Moreover, the sample is comparable to the extended sample used in the MTR determination in 2018.

3.13 In order to address concerns of operators on the recent rupee depreciation and its impact on the MTR analysis, PTA has carried out an exercise to do the benchmarking analysis using latest exchange

Figure-1



Source: The Setting of Mobile Termination Rates – Best Practices in Cost Modelling - GSMA rates taken from https://www.xe.com/currencyconverter/ except for Pakistan and for Pakistan the rate i.e. Rs. 175.1789/USD taken from https://www.sbp.org.pk/ecodata/crates/2021/Nov/19-Nov-21.pdf. Results are provided in Table 3. It can be seen that the calculated MTR is close to the benchmarking results reported in the consultation paper issued in July 2021 i.e. proposed MTR for Pakistan is between "Rs. 0.27 (mean) and Rs. 0.13 (median)" using ARPU adjusted benchmarking and between "Rs. 0.30 (mean) and Rs. 0.28 (median)" using PPP adjustment. Therefore, apprehensions that recent depreciation will substantially impact the analysis and proposed MTR are not justified.

3.14 As per GSMA study depicted in the Figure-1 below, the most common outcome of MTR revision in developing countries is the one-off cut instead of the glide path.

3.15 Furthermore, it is a generally accepted principle that interconnection charges / termination rates cannot be considered as a source of revenue, rather should be treated as a reimbursement for call being terminated on other networks, and should be cost oriented. It has also been observed that some of the operators are discounting their on-net traffic as they are generating more revenues from off-net traffic due to traffic imbalance.

3.16 The Authority is of the view that lowering of MTR will result in facilitating a more competitively neutral framework among the operators. This would allow more competitive and innovative offerings such as free minutes bundles (for both off-net and on-net), which would be a great ease and beneficial for the consumers. The same is evident in the markets with lower MTRs.

3.17 With regards to Telenor's observations on international terminations rate, a separate industry consultation can be carried out to review the rates, and Telenor is encouraged to submit its analysis to the Authority in this regard.

CMPak (Zong)'s Comments:

3.18 We fully endorse PTA's initiative to reduce MTR in Pakistan as MTR reduction will ensure a level playing field for all while protecting the commercial interests of smaller operators. This will shift the industry to a competition stage where all operators will strive to attract customers by improving the quality of their service, rather than merely having a higher customer base.

3.19 Internationally, regulators are accepting that lower mobile termination rates are likely to benefit service providers with greater flexibility in deciding retail prices as they can provide consumers a wider variety of retail packages and tariff structures. Lower termination charges address competition concerns over on/off-net price differentials and lessen possible concerns over competition between new operators and large incumbent mobile operators.

3.20 OFCOM has reduced MTR at significantly higher rates than that of Pakistan. Every major country is looking at the benefit of lower termination charges so that consumers get benefit from affordable tariffs. One-off cut is agreed instead of the glide path approach in the MTR reduction. Further, it is proposed that the rate should ideally be reduced to PKR 0.20 per minute based on the Full Cost Allocation model.

PTA's Response:

3.21 The Authority appreciates CMPak for supporting the reduction in MTR with a one-off price cut. Further, the Authority understands that benchmarking results of ARPU adjusted MTR is between the range of Rs. 0.13 to Rs. 0.27 per minute, however, Zong's proposed MTR @ PKR 0.20 per minute could be considered in subsequent reviews.

PTCL and PTML (Ufone)'s Comments:

3.22 PTML is a net termination out-payer and unable to compete effectively, and economically sustainably. As such, it is strongly recommended that not only are termination rates reduced to reflect costs, but also asymmetry should be re-introduced in order to protect smaller operators from the anti-competitive abuse of dominance through the exploitation of the significant club effect and the cross-subsidy paid from smaller operators and enjoyed by dominant operators.

3.23 In a significantly distorted market in which there is clear dominance and the presence of strong network externalities, regulatory control over Termination Rates is essential to mitigate on-net and off-net discriminatory pricing and to remove cross-subsidy enjoyed by dominant operators.

3.24 PTCL Group / PTML has already submitted the results of its termination costs, calculated by an independent consultant using FAC methodology, which is duly acknowledged by PTA in its consultation paper. If the same is calculated for larger operators, would be even lower. Also, LRIC model-based costs are typically even lower than the FAC costs. Therefore, current MTR @ Rs. 0.70 is not justified and PTCL / PTML reiterate that PTA should determine the revised MTR of Rs. 0.30 per minute, effective from 1st October 2021.

3.25 At the retail level, anti-competitive on-net, off-net price discrimination amplifies network externalities and the club effect enjoyed by larger operators creates a potential margin squeeze as smaller operators cannot afford to replicate the same on-net/off-net price discrimination leading to higher acquisition costs and lower gross acquisitions. At the wholesale level, net interconnection is highly negative for smaller operators.

3.26 PTML concurs with PTA's arguments and conclusion in the consultation paper, and would like PTA to adopt the following with immediate effect: (i) Review and determine termination rates no later than 1st October, 2021; impose asymmetric interconnection rates in favour of smaller CMOs, such as Rs. 0.30 per minute for Jazz and Telenor and Rs. 0.35 per minute for Ufone and Zong; and impose retail price controls establishing the principles of tariff setting including but not limited to collapse of on-net/off-net price discrimination, enforcement of no cross-subsidy rules and controls to include imputation tests linking retail prices to cost to ensure economic spare in tariffs and bundles is sufficient for economically efficient competition to occur and that the tariffs of dominant operators are replicable.

PTA's Response:

3.27 PTA recognizes the concerns of Ufone with regards to price differentials between on-net and off-net calls and on-net discounting in Pakistan's mobile market. PTA is aware of above-mentioned factors and it is expected that downward revision of MTR and subsequent reviews of interconnection charges will help in addressing the abovementioned issues.

3.28 PTA appreciates PTCL Group and PTML (Ufone) for supporting the reduction in MTR and sharing the results of its cost modelling, which are in-line with the proposed international benchmarking analysis conducted by PTA.

Wateen, REDtone and Multinet's Comments:

3.29 We fully acknowledge and appreciate PTA's initiative for review of MTR and admit that the grounds for subject review are based on true facts and figure. In view of the aforesaid fact, we strongly recommend that the revised MTR should be Rs. 0.30 as mentioned in the subject consultation paper.

PTA's Response:

3.30 PTA appreciates for supporting reduction in MTR to Rs. 0.30 per minute with a one-off price cut based on the benchmarking analysis and expects that current review of MTR will have positive impact on the industry and a level playing field for competitive offerings.

Orient Express's Comments:

3.31 We support the reduction of MTR but the sudden reduction from PKR 0.70 to 0.30 is quite drastic and may disturb the business dynamics of CMOs as well as LDIs. Therefore, we propose that the reduced MTR in Pakistan may be determined @ PKR 0.50 per minute.

PTA's Response:

3.32 PTA appreciates Orient Express for supporting reduction in MTR. While determining MTR, the Authority will consider all aspects including glide path and one-off cut approaches and the fact that the current MTR is much higher than the benchmarks.

4B Gentel's Comments:

3.33 The company recommends that MTR should be between Rs. 0.20 to Rs. 0.30 per minute. In case, PTA considers the MTR above Rs. 0.30 per minute, a meeting at PTA Headquarters with all LDI Licensees is requested before conclusion of the MTR.

PTA's Response:

3.34 PTA appreciates 4B Gentel for supporting MTR reduction, however; based on international benchmarking results, MTR @ Rs. 0.20 per minute is not suggested.

Dancom's Comments:

3.35 International calling is the key business for an LDI, therefore, we recommend that the cost of internet for OTT based calls needs to be compared with proposed interconnection rates and hence, the interconnection rates of Rs. 0.28 to Rs. 0.30 per minute be further lowered to the level of cost of internet consumed for the call. The other point is related to negotiation of interconnection rates in bulk. The rates determined by PTA should be treated as a cap and the LDI should be given allowance to negotiate interconnect on bulk/wholesale basis which should be lower than the PTA determined interconnect rates.

PTA's Response:

3.36 It may be noted that this review of MTR is a measure towards achieving cost-oriented charges for termination of calls among the operators in Pakistan. It is further clarified that PTA determines upper ceilings of termination charges and operators are free to offer lower termination rates on mutually agreed and non-discriminatory basis.

World Call's Comments:

3.37 The proposition by PTA for reducing MTR to Rs. 0.3 per minute is very reasonable and fully supported. To support the fixed sector to offer competitive services, a special treatment in termination regime is needed. We, therefore, suggest that MTR should be Zero for calls originating from mobile networks and terminating on fixed networks. Similarly, FTR should be Zero for calls originating from mobile networks and terminating on fixed networks. This will help increase fixed calling points, increase traffic between fixed and mobile networks as well as facilitate consumers to communicate effectively.

PTA's Response:

3.38 World Call's suggestions for termination charges for calls between fixed and cellular networks can be considered in the subsequent review of interconnection charges.

4. Order

4.1 The Authority is of the view that lowering of MTR would allow more competitive and innovative offerings such as free minutes bundles (for both off-net and on-net) for the consumers. Based upon international benchmarking analysis, charges prevailing in regional / comparable countries and operators' comments / submissions, the Authority hereby determines the following Mobile Termination Rates for Pakistan and AJ&K/GB for all types of calls (i.e. local, long distance and international incoming calls) terminated on mobile networks from other mobile networks or fixed networks, for the period mentioned hereunder:

Period	**Mobile Termination Rate (Rs. per minute)**
From 1st January 2022 to 30th June 2022	0.50
From 1st July 2022 to 30th June 2023	0.40
From 1st July 2023 onwards	0.30

4.2 The above-mentioned MTRs shall continue to prevail unless otherwise revised by the Authority.

4.3 The settlement of interconnection traffic shall be done on per second basis for all types of calls (local, long distance or international).

4.4 The operators may mutually agree on lower mobile termination rates. The operators are also free to offer discounts to other operators on mutually agreed and non-discriminatory basis.

4.5 The Authority will further review cost-oriented interconnection charges and will conduct a separate consultation on international termination rate in due course of time.

______________________________	______________________________
Muhammad Naveed	**Dr. Khawar Siddique Khokhar**
Member (Finance)	Member (Compliance & Enforcement)

____

Maj. Gen. Amir Azeem Bajwa (R)
Chairman

Signed on 24th day of November 2021 and comprise (13) pages.