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Liberalization of Telecom Sector in AJK & NAs

Introduction

Provision of telecom needs of the people of Azad Jammu & Kashmir (AJ&K) and Northern Areas (NAs) remained the responsibility of Special Communication Organization (SCO) which is an organ of Pakistan Armed Forces since 1976. SCO worked hard to provide facility to the people of these difficult terrain and developed sound backbone infrastructure of telecom in AJ&K and NAs. Today SCO network is available in more than 100 cities, towns and villages all across the region. SCO has established its own International Gateway exchange and a Satellite Earth Station which links the region with Globe. GSM service of SCO now covers almost 80% population of the region.

Despite rapid development by SCO, limited resources handicapped SCO to reach all population centres of the region and they could not get facilities at par with their counterparts in Pakistan. The devastating earthquake in 2005, moreover further weakened capability of SCO as its infrastructure was damaged badly. Considering the urgency of immediate communication needs, PTA allowed all mobile operators working in Pakistan to temporarily provide services in the earthquake hit areas. Later AJK Government and NAs Council adopted the Pakistan Telecom Re-organization Act, 1996 which paved way for telecom deregulation in AJK& NAs. Resultantly, PTA awarded cellular mobile licenses to 5 operators already working in Pakistan and extended their service in AJ&K and NAs. All 5 mobile operators are now providing service along with SCO in the region and facility has reached all corners of the region. Recently, Fixed line services have also been deregulated and PTA awarded licenses to private operators detail of which is availed in succeeding paragraphs.

PTA Awards Fixedline Licenses for AJ&K AND NAs

SCO's monopoly in fixed-line services in AJK & NAs came to an end on 28 May 2008. In a colorful ceremony arranged by PTA, Minister for AJK & NAs Mr. Qamar Zaman Kaira who also has the Telecommunication & Information Technology portfolio, distributed Long Distance International (LDI), Fixed Local Loop (FLL) and Class Value Added Services licenses. In all, 24 licenses were awarded to 13 companies. Among the recipients, major companies were Link Direct, Wateen, Telenor, PTCL, World Call, Inter World, Sky Telecom, Great Bear, WOL, DaleelTeq, BTC, Cybernet, and Mobilink. The Minister lauded the services of PTA on the occasion, saying that the regulator had done wonderful job through transparency and excellent regulation track record. He urged the telecom companies to provide the service in far flung areas as well where profits may not be as good as in settled areas. He assured the operators that government would provide subsidy to ensure maximum coverage in the rural areas.

It is anticipated that huge proceeds would be available to AJK council through these licenses. The AJK council would gain around \$170,000 against the issue of licenses as an initial amount. The PTA has already paid Rs. 1.2 billion to AJK and NAs against the licensing of 5 cellular companies i.e. Mobilink, Telenor, Warid Telecom, Ufone in June 2006 and CMPak in August 2007.



License to CM Pak for AJK

In the Cabinet meeting of December 01, 2005 it was decided to open up telecommunication licensing for AJ&K to the Cellular Mobile Operators in Pakistan through Pakistan Telecommunication Authority. PTA in order to implement the Cabinet decision prepared a comprehensive Information Memorandum (IM) for issuance of mobile licenses in AJK & NA. In the IM, procedure for the award of license was given with specific dates to ensure that the licensing process is completed in a systematic manner. The operators were given opportunity to raise queries on the IM for clarification.

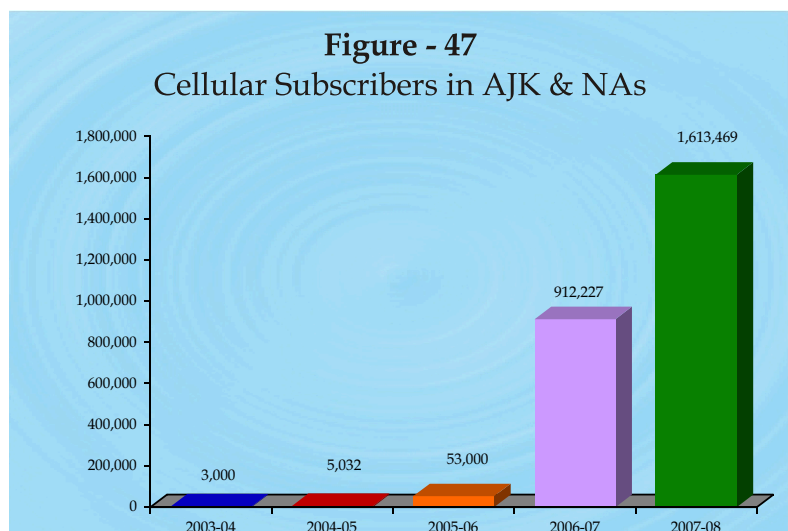
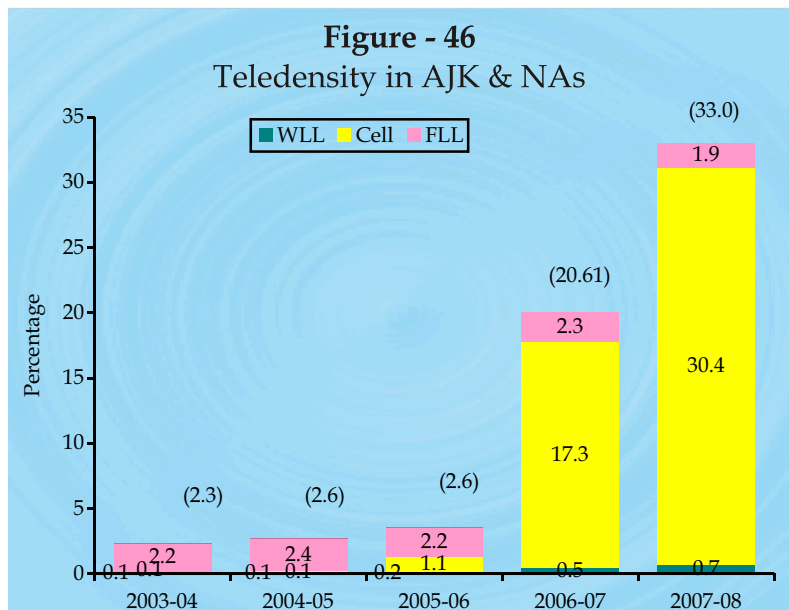


M/s Paktel (CMPak) was then owned by M/s Millicom and it did not participate in the licensing process. Paktel License and network was acquired by China Mobile Communication with plans to invest heavily in the mobile sector of Pakistan. The new company applied for issuance of Mobile License in AJK/NAs so that they could provide mobile services through out the country till the border with China. In view of the Cabinet Decision and consent of the Federal Government M/S CMPak were also awarded Cellular Mobile License on the similar terms and conditions that was or for pervious licenses.

Subscription and Penetration in AJ&K and NAs

Cellular mobile communication is the main force behind growth of teledensity in AJ&K and NAs and has share of more than 92% in AJ&K. Total teledensity of the region climbed to 33% at the end of fiscal year 2007-08 which was mere 2.6% in 2005-06. FLL and WLL share in the teledensity is close to 8% while the rest is of mobile operators. FLL and WLL services are still monopolized by SCO who could not expand it rapidly compared to mobile services. In fact the Fixed line teledensity has shown negative trend with decline of about 0.4 percentage points in last one year. The reason for this decline is shift of users from fixedline to mobile services. Mobile teledensity has increased by about 13 percentage points in last one year and reached 30.4% in 2007-08 compared to 17.3% in 2006-07. Though SCO got Cellular Mobile license earlier than commercial operators, its growth remained slow until the operation by other operators started in 2006.

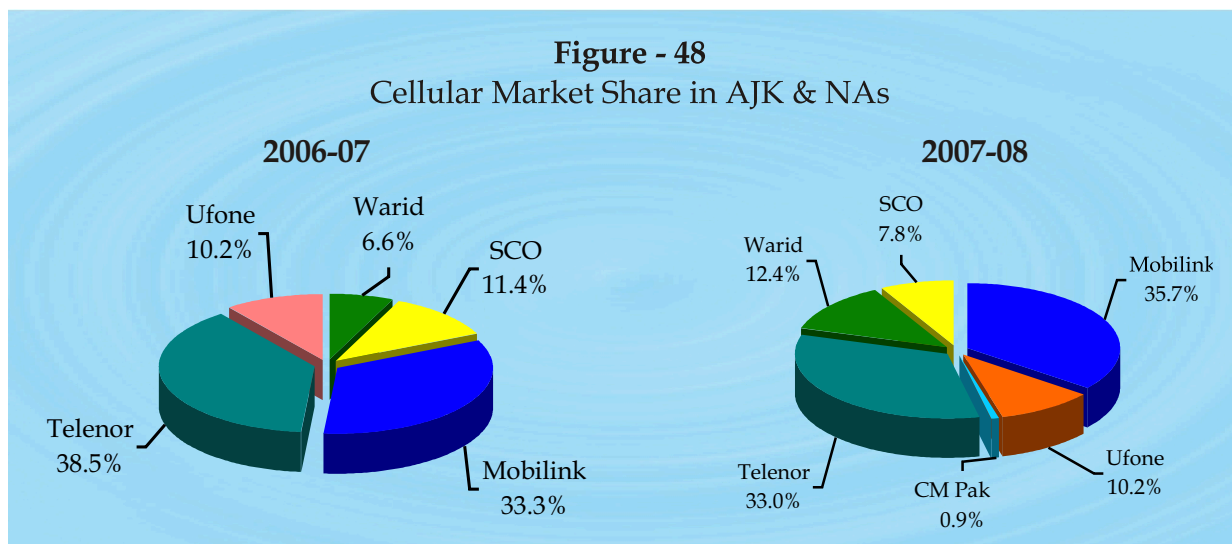
Cellular Mobile subscribers in AJ&K and NAs increased



tremendously in last two years and total subscribers reached to 1,613,469 at the end of 2007-08. Cellular mobile subscription has shown about 77% growth in the year 2007-08 where all mobile operators added over 701,242 subscribers in just one year. Out of total addition of 701,242 subscribers AJ&K region added 599,232 subscribers which become 85% of total addition. During the last year, Mobilink added the highest number 271,498. Telenor added over 181,981 subscribers in last one year both in AJ&K and NAs. Ufone, Zong and Warid have service only in AJ&K while rests of the operators are operating in both of the regions⁴.

Market Share

Market share of cellular mobile operators in AJ&K and NAs shows even distribution which indicates that market is competitive. Market share of cellular mobile subscribers indicates that Warid Telecom is attracting more shares and has added almost 100% share in the region and its share reached 12.4% in 2007-08 from 6.6% in 2007. Mobilink is the leader in this market and it has succeeded to add 3.3% more share in the market in last year. The incumbent, SCO is loosing its share and declined to 7.8% in 2007-08 compared to 11.4% in the year 2006-07. SCO added only 21,959 subscribers in the year 2007-08 which is lowest addition after CMPak who started service lately in the region.



Coverage

It is estimated that about 80% of the total population of this region have access to cellular mobile services. Due to difficult terrain, some areas of NAs are still uncovered. However, all operators are engaged in aggressive marketing and expansion of network.

⁴See Annex - 8 Cellular Subscribers in AJK and NAs



Installation of cell sites is an important tool that gives the pace of growth and coverage in cellular market. Total cell sites in the region have reached 668 in the year 2007-08 with addition of 423 cell sites by all operators in last one year. Mobilink and Telenor are leaders in the region who own about 60% of cell sites in the region. During the year 2007-08, Mobilink added 142 new cell sites while Telenor added 133 new sites to its network. Third operator is CMPak and it has added 53 new cell sites in AJ&K in last one year. SCO added 36 new cell sites in 2007-08 and with this addition, SCO total sites reached to 79 at the end of 2007-08.

Along with growth in the cellular mobile sector, its franchises are also increasing. Today, there are 57 franchises all across AJK& NAs. Mostly, the franchise business is concentrated in AJ&K region where operators have more than 49 franchises while in NAs there are 8. Franchises are also a source of self employment in the region.

SCO in AJK & NAs

SCO has established a strong backbone infrastructure in AJ&K and Northern Areas of Pakistan where it remained responsible for provision of telecom services since 1976.

SCO is well established in far flung areas and has made communication accessible to the people of these areas which were not possible for years. In 2004, SCO upgraded its infrastructure and laid Optic Fiber Cable (OFC) which replaced most of its PL routes. Initially, SCO relied on PSTN facility, however, now it has shifted most of its services to Wireless based systems because it was more costly to lay down the copper cable for telecom services. SCO started Cellular Mobile service in 2004 with 5000 GSM connections and it has also established CDMA network in both of the regions of its responsibility.

Table - 17
Cell Sites by Company in AJK & NAs

Company	2006-07			2007-08		
	AJK	NAs	Total	AJK	NAs	Total
Mobilink	56	8	64	132	74	206
Ufone	21	0	21	38	9	47
CMPak	0	0	0	53	0	53
Telenor	55	9	64	165	32	197
Warid	53	0	53	66	20	86
SCO	34	9	43	60	19	79
Total	219	26	245	514	154	668

Table - 18
Franchises by Company in AJK & NAs
(June- 2008)

	AJK	NAs	Total
Mobilink	15	0	15
Ufone	6	2	8
CMPak	6	0	6
Telenor	11	4	15
Warid	6	0	6
SCO	5	2	7
Total	49	8	57

Table - 19
SCO Subscribers in AJK & NAs

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

SCO still has monopoly in fixedline services where the licenses to private operators have been issued recently and it may take time to them for establishing their networks. Numbers show that SCO fixedline subscribers declined by about 17% in 2007-08 from 121,381 in 2006-07 to 101,168 in 2007-08. Main reason for this decline is attributed to the churn of subscribers from fixedline to wireless based services. WLL subscribers have shown 36% growth in last one year. Total WLL subscribers reached 37,619 in 2007-08 which were 27,648 at the end of 2006-07. SCO cellular subscribers grew by 21% in 2007-08 which is lower than the growth of private cellular mobile operators in the region.

In 2007, SCO started internet service for Azad Jammu and Kashmir and Northern Areas with the brand name of Snet. SCO is providing data services both for Broadband and dial up services in the area. SCO started its pilot project in Mirpur & Muzaffarabad and now the service has been expanded to 6 cities of AJK and 2 cities of Northern Areas.

Table - 20
PCOs in AJK & NAs by SCO

	2006-07	2007-08
Fixed	1,762	675
WLL	1,441	1,199
Total	3,203	1,874

SCO is also providing telecom services through PCOs in areas where proper communication facilities are not available. Currently, over 1,874 PCOs are working in across the region which connects people from far flung areas to rest of the world. Number of Fixedline PCO has declined to 675 in 2006-07 against 1762 in 2007-08 because of the replacement with wireless based services or availability of other telecom facilities.