

Liberalization Policy for Licensing new operators the Telecommunications Sector in Pakistan

Main policy objectives

- Increase service choice for customers of telecommunication services at competitive and affordable rates
- Promote infrastructure development and increase private investment
- Maintain an effective and well-defined regulatory regime

Licensing

- Market entry will be **unrestricted and open** and licenses will be awarded in an open, public hearing process.
- PTCL and any other significant market power (SMP) licensees will be **prohibited from abusing their dominant position** through anticompetitive conduct.
- Each licensee will pay to PTA a fixed annual fee to cover the cost of regulation (shall not exceed 0.5% of gross revenues, including mandated payments) and will devote 1% of gross revenues minus mandated payments to Research and Development Fund.
- A company can hold a local loop and long distance licensees.

Local loop

Rights:

- Licensees will start operations with building and operating one Point of Interconnect within the prescribed period, and in each licensed PTCL Region where they operate.
- In the event another licensee considers that an LL licensee's termination prices are inappropriate, PTA has the power to resolve the dispute and impose cost-based prices.

Obligations:

- Will not be permitted to carry voice calls between PTCL Regions.
- Will be exempted from the requirement to offer Indirect Access to their subscribers, until such time as they enjoy SMP.
- Licensees who opt to use wireless solutions may provide limited mobility within a cell, but no beyond local call charging audits. No inter-cell handovers and roaming to other networks will be allowed.
- The license fee will be US\$ 10,000

Long distance and international:

Rights:

- Access code for Indirect Access will be provided
- Participate and obtain IRUs (Indefeasible Rights of Use) from submarine cable consortia and the right to install earth stations.
- Co-locate in PTCL's international exchange buildings, and backhaul to and from them using their own fiber and radio spectrum.

Obligations:

- License fee will be US\$ 500,000
- Start rollout by building at least one Point of Interconnect in five of PTCL regions within one year and in all thirteen PTCL regions within 3 years.
- To be able to lease infrastructure from any infrastructure owner, the licensee must own a proportion of the transmission system and cables comprising its network (10% in 1st year, 30% 2nd year and 50% in 3rd year measured in 2 Mbit/s x km.) A long-term lease of 5 years or more will be acceptable in lieu of ownership.

- Provide a performance bond of US\$10,000 million in respect of infrastructure and rollout targets and provide incoming and outgoing interconnection services, to all who may request it.
- To ensure only serious players in the market, stringent technical and financial requirements, experience and rollout will be incorporated in the license document.

Access Promotion Contribution

- Net incoming international traffic generates a premium over the cost of conveying and terminating the traffic in Pakistan. A reasonable portion of this premium will be used to promote infrastructure expansion and will be referred as APC.
- The LCI licensees would be permitted to retain a fixed share (up to US\$ 0.06 per minute) of the termination charge. The remaining amount will be passed on to local loop licensees to encourage them to foster new infrastructure development.
- APC shall not be available to cellular operators; APC on cellular termination rates will be diverted to the Universal Service Fund.

Universal Service

- The Government will establish a Universal Service Fund (USF), which will be the main financing mechanism to promote universal service.
- The USF policy framework will be prepared and approved by the Federal Government, and will be administered by PTA.
- Disbursements of the USF funds will be made through a transparent, non-discriminatory and competitive process.
- The USF will be financed by the USF charge (max. 1.5% of gross revenues) to licensees and premium of APC on cellular termination charges. It could also receive contributions from the Government or other international organizations.

Other regulatory issues

- *Radio Spectrum:* All entities using spectrum shall be charged a fee for spectrum, spectrum will be allocated for a definite time. Where demand exceeds available frequency spectrum, it shall be allocated by auction or other transparent, no-discriminatory, open and competitive process.
- *Interconnection:* PTA will notify the initial interconnection prices, which will be based on international benchmarks, by October 2003.
- *Pricing regime:* PTA will not regulate tariffs unless there is evidence of significant market power (SMP) by a licensee; PTA reserves the right to regulate tariffs in cases of unfair pricing. PTA will continue to regulate PTCL's rates and services in the public interest, subject to price cap regulation scheme.
- *PTCL obligations:* PTCL will prepare all transit its network to be suitable for interconnection. PTCL will issue a "Reference Interconnection Offer (RIO)" to be used as the default interconnection offer. PTCL will maintain its build-out obligations until 2008.
- The policy and licensing regime are proposed to be technology neutral.
- This policy will be valid for five years from its implementation date and will be subject to review after this period. The licenses awarded to LL/LDI operators will be valid for 20 years.