

**INFORMATION MEMORANDUM
INFRASTRUCTURE
AND
TOWER
LICENCES
FOR
AJ&K AND NORTHERN AREAS**

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Part I - Preface

1. Introduction

- 1.1 Extension of the jurisdiction of Pakistan Telecommunication Authority (the “Authority”) to Azad Jammu and Kashmir and Northern Areas (“AJ&K and NAs”) through “the AJ&K Council’s Adaptation of Pakistan Telecommunication (Re-Organization) Act, 2005” and Notification of Administration of Northern Areas is a landmark step to attract investment, create new employment opportunities and provide affordable telecom facilities to the subscribers in AJ&K and NAs. Pursuant to the objectives of the Act, Azad Jammu & Kashmir Council, Administration of Northern Areas has approved the Licensing Regime recommended by the Pakistan Telecommunication Authority (“the Authority”) for opening telecom sector in AJ&K and NAs. While the telecom industry in Pakistan has undergone a major paradigm shift over the last two years or so the fruits of deregulation and liberalization would now be available to the people of AJ&K and NAs in the near future as well. The Government of Pakistan and respective Councils are opening fixed line telecommunication sector of AJ&K and Northern Areas with the broader objective of increasing investment and competition in the said areas.
- 1.2 The purpose of this document is to provide information to the Applicants for Licenses to provide telecommunication services in the following two categories namely, Infrastructure and Tower services in Azad Jammu & Kashmir and Northern Areas.
- 1.3 This Information Memorandum provides background information on the AJ&K and NAs telecommunication sector, the scope, rights and obligations of Infrastructure and Tower Licensees, as well as the timetable, instructions and related information concerning the licensing process.
- 1.4 By virtue of its powers under the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (re-organization) Act, 2005 Northern Areas telecommunication (Re-organization) (Adaptation and

Enforcement) order, 2006 read with Pakistan Telecommunication (Re-organization) (Amendment) Act 2006, the Pakistan Telecommunication Authority (the “Authority”) will grant Infrastructure and Tower licenses to all Applicants that meet the requirements given in the checklist (Attached).

- 1.5 Prospective Applicants may submit questions or requests for clarification on the contents of this Information Memorandum to the Authority at the address indicated below:-

Director General (Wireline)
Pakistan Telecommunication Authority
H/Qs F-5/1, Islamabad
Pakistan
Telephone: + 92 (51) 9225312
Fax: + 92 (51) 287 8113
E-mail: yawar@pta.gov.pk

- 1.6 The Authority has made its best efforts to include accurate and current information in the Information Memorandum (IM). However, neither the Authority nor any of the agencies, employees, representatives, advisors or consultants shall have any liability whatsoever to any applicant or any of its shareholders or members or any other person resulting from use of or reliance on any of the information so provided. Applicants are advised to undertake their own verification of any information supplied by the Authority prior to use of or reliance on that information. The Authority reserves the right to take any action, including amendments in this IM, to ensure that the licensing process takes place in a fair, open and transparent manner in accordance with law.
- 1.7 The Authority further reserves the right to modify or terminate the licensing process at any time at its sole discretion.
- 1.8 This IM and the License issued pursuant to the process announced herein shall be exclusively subject to, and interpreted in accordance with provisions of the Act, the Rules and the Regulations issued thereunder.

1.9 Any dispute, controversy or claim arising out of or in connection with this IM, or the breach, termination or invalidity thereof, shall be settled by the Authority and its decision shall be final.

1.10 No suit, prosecution or other legal proceedings shall lie against the Authority or any member or employee of the Authority in respect of anything done or intended to be done by the Authority in connection with this IM.

2. Schedule of Events

2.1 Schedule to be observed till award of Infrastructure and Tower licenses in AJK and NAs is as follows:

| <u>EVENT</u> | <u>CALENDAR</u> <u>DATE</u> |
|---|--|
| Advertisement | September 4, 2007 |
| Posting of Information Memorandum (IM) on PTA website | September 4, 2007 |
| Queries from potential investors on IM | September 21 ,2007 |
| Replies | October 5, 2007 |
| Deadline for receipt of applications | October 15, 2007 |
| Issuance of LDI, FLL, CVALS, Infrastructure and Tower Licenses | November 5, 2007 |
| Spectrum Auction | November 19, 2007 |
| Issue of WLL Licenses | December 9, 2007 |

2.2 The Authority reserves the right to change this schedule as circumstances require.

Part II – Information on AJ&K and NAs

3. Economy of Azad Jammu & Kashmir and Northern Areas

- 3.1 Azad Jammu and Kashmir (AJ&K) is part of the State of Jammu and Kashmir liberated in 1947 and located in North-East of Pakistan. The area is full of natural beauty with thick forest, fast flowing rivers and winding streams. Main rivers are Jehlum, Neelum and Poonch. The total area of AJ&K is 13,297 Sq Kms and is divided into 8 districts, namely Muzaffarabad, Neelum, Bagh, Poonch, Kotli, Sudhnoti, Bhimber and Mirpur. Muzaffarabad, being the capital city is not only the hub of political and cultural activities but also serves as a base camp for the tourists. District Mirpur and Bhimber comprise partly plain and partly hilly areas. Mirpur has developed into an industrial city very rapidly. Kotli District is a hilly area rising gradually towards the high mountains of Poonch district. Northern Areas is the northern most region of Pakistan with an area of 72,496 square kilometers and is full of scenic beauty and has some of the world's highest mountain ranges. Northern Areas has been divided into six districts namely Baltistan, Diamir, Ghanche, Ghizar, Astor and Gilgit. Almost all of the districts comprise of hilly areas.
- 3.2 The population of Azad Jammu & Kashmir is estimated as 3.798 million and the population of NAs is approximately 1.5 million.
- 3.3 Average per capita income is estimated as US \$ 200 in AJ&K and US\$ 125 in Northern Areas.
- 3.4 The majority of the rural population depends on forestry, livestock and agriculture for its subsistence. There is a small but growing service sector particularly in tourism, trading, transportation and communication.
- 3.5 Promotion of tourism and development of tourism - related infrastructure in the Northern Areas and AJ&K offer vast opportunities for investors both from local and foreign origin. Another field which promises profitable investment in Northern Areas is the exploration and exploitation of mineral resources and precious stones.

- 3.6 Industrial investment in AJ&K started in early 70s in public sector which was later geared up by the interest of the private sector. At present, 350 industrial units of different types has been setup and almost 10,000 labors are employed in these industries. To accelerate the development of industrialization, the government has setup industrial estates at Mirpur, Bhimber, Dudyal, Kotli, Rawalakot and Muzaffarabad. All the above industrial estates have been provided with infrastructure facilities of roads, water and electricity etc. The industrial plots are provided on 99 years lease basis. Nearly 2500 kanals land is available for allotment to industries. Plots of various sizes ranging from 1 kanal to 100 kanals are available. The establishment of Dry Port and Export Processing Zone with railway link is under process.
- 3.7 The incentives for investors are exemption of Sales Tax for a period of 5 years on industrial products from the date of production; provision of industrial plots on subsidized rates and easy installments; provision of loan facilities in local as well as foreign exchange from commercial banks and Development Financial Institutions (DFIs), and free transaction of principle amount and profits without prior permission of the government for foreign/non-resident Pakistani investors. Moreover, Pakistani DFIs/Commercial banking institutions are setup in Azad Kashmir and they provide loan for setting up industry.

4. Overview of Telecommunication Sector in AJK and NAs

- 4.1 Special Communications Organization (SCO) started operations in 1976 with a total of 400 lines. Today it boasts a network of about 108,000 fixed lines and 50,000 cellular mobile connections. SCO has done an excellent job in providing connectivity to these far flung areas. It has had exclusivity in AJ&K and NAs till the recent deregulation of cellular sector. Opening of mobile sector for competition has resulted in an overall improvement of the sector besides revitalizing SCO. SCO is currently providing fixed line, mobile, PCO, VoIP, VSAT and bandwidth services. The operator literally owns all the existing longhaul and access network resources in the area. Success of fixed line deregulation will depend largely upon cooperation and transmission

media of SCO. It is hoped that SCO will continue playing a pivotal role in the communication of the region.

- 4.2 After the issuance of mobile cellular licenses in June 2006, mobile teledensity of AJ&K and NAs has shown unprecedented rise in mobile connections from 49708 in June 2006 to 897170 in June 2007. By the end of March 2007, fixed-line working connections of SCO had reached 108,126 and WLL subscribers had reached 23767 with teledensity reaching 19.4%.
- 4.3 On pressing demand of people of AJ&K, the Government decided to open the telecom sector of AJ&K and NAs, and provide the facilities to the people of the areas at par to Pakistan. In view of the same, the AJ&K Council has passed Act 1 of 2005 on May 23, 2005 to adapt and enforce the Pakistan Telecommunication (Reorganization) Act 1996 in AJ&K for giving effect and providing legal cover to entities involved and to be involved in telecom services in AJ&K.
- 4.4 The main purpose of adapting the Act is that the PTA may regulate telecom sector in AJ&K and NAs on the lines of Pakistan and to open telecom sector for competition and private investment.

5. Salient Features – Licensing Regime

- 5.1 Pakistan being member and signatory to the 1997 WTO Agreement on Basic Telecommunications (“WTO-ABT”) and pursuant to its commitments under this Agreement, has opened its telecom sector to private operators by issuing De-regulation Policy in the year 2003. The Authority has implemented the De-regulation policy in Pakistan successfully.
- 5.2 For achieving the same objectives and granting same benefits to the people of AJ&K and NAs ,i.e., increase service choice for customers, remote infrastructure development, especially infrastructure that will increase teledensity, increase private investment in the telecommunication sector, and encourage fair competition amongst service providers, the Azad Jammu & Kashmir Council and Administration of Northern Areas has Adopted Pakistan Telecommunication (Re-organization), Act, 1996 and all Rules and Regulations issued thereunder through AJ&K Council Adaptation of Pakistan

Telecommunication (Re-organization) Act, 2005 and the Notification issued by the Administration of Northern Areas respectively. Pursuant to the objectives of the Act, Azad Jammu & Kashmir Council, Administration of Northern Areas has approved the Licensing Regime recommended by the Authority for opening telecom sector in AJ&K and NAs. The key features of the Regime include: Licensing of Infrastructure and Tower services in an open entry environment and increased availability of radio frequency spectrum resources for new operators.

5.3 Telecommunication Infrastructure Provider License

5.3.1 Telecommunication Infrastructure Provider license shall be issued for the whole of AJ&K and NAs;

5.3.2 Initial license fee for Telecommunication Infrastructure Provider License

shall be US\$ 4000 ;

5.3.3 The term of the license shall be 20 years;

5.4 Telecommunication Tower License

5.4.1 Telecommunication Tower License shall be issued on per Telecom Region basis.

5.4.2 The term of license will be 15 years.

5.4.3 The AJ&K and NAs will consist of three Telecom Regions as under:

- TR1- Mirpur Division (Mirpur, Bhimber, and Kotli)
- TR2- Muzaffarabad Division (Muzaffarabad, Bagh, Poonch, Sundhnutti and Neelum)
- TR3- Northern Areas

5.4.4 License Fee shall be as under:

| | |
|-----|-----------------------|
| AJK | Rs. 10,000 per Region |
| NA | Rs. 10,000 |

6. Telecommunication Sector Regulation in Azad Jammu & Kashmir and Northern Areas

6.1 Regulatory Framework

6.1.1 Prospective Applicants should familiarize themselves with the regulatory and institutional framework for the regulation of telecommunication sector in Azad Jammu & Kashmir and Northern Areas. Key elements of this framework are set out below.

6.1.2 Azad Jammu & Kashmir Council adapted Pakistan Telecommunication (Re-organization) Act, 1996 alongwith Rules and Regulations, *with certain changes*, vide Azad Jammu & Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005. Under this Act, the Authority was empowered for licensing in Azad Jammu & Kashmir and Northern areas whereas Frequency allocation Board (FAB) has been given the mandate to allocate and assign frequency spectrum in the said territory. Administrations of Northern has also extended Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 in Northern Areas as well. Pursuant to the provisions of the Act and keeping in view the benefits of de-regulation of telecom sector, the Azad Jammu & Kashmir Council and Administration of Northern Areas have approved Licensing Regime for the said purposes. Key legislations are as under:

(a) Azad Jammu & Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005 and Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) order, 2006 read with Pakistan Telecommunication (Re-organization) (Amendment) Act, 2006 or any amendments thereto from time to time;

(b) All Rules including Pakistan Telecommunication Rules, 2000 or any amendments thereto from time to time;

(c) All Regulations including Pakistan Telecommunication Authority (Functions & Powers) Regulations, 2004 or any amendments thereto from time to time.

6.2 **Institutional Framework**

6.2.1 The key components of the institutional framework are the Azad Jammu & Kashmir Council, Administration of Northern Areas, the Pakistan Telecommunication Authority and the Frequency Allocation Board. These are briefly described below.

6.3 **Azad Jammu & Kashmir Council/Administration of NAs**

6.3.1 The Azad Jammu & Kashmir Council is a constitutional body established under section 21 of the Azad Jammu & Kashmir Interim Constitution Act, 1974. The council has clearly defined executive, legislative and judicial sphere enumerated in the third schedule of the Act. Administration for Northern Areas is Ministry of Kashmir Affairs & Northern Areas (KA&NA).

6.4 **Pakistan Telecommunication Authority (the “Authority”)**

6.4.1 Under the provisions of Azad Jammu & Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005, and notification of Administration of Northern Areas, the Authority is empowered to regulate the telecommunication sector in Azad Jammu & Kashmir and Northern Areas. Its mandate includes:

- a. regulating the establishment, operation and maintenance of telecommunication systems and the provision of telecommunication services in Azad Jammu & Kashmir and Northern Areas.;
- b. receiving and disposing of applications for the use of radio frequency spectrum;
- c. determining interconnection disputes between operators;
- d. investigating and adjudicating on complaints against licensees; and
- e. making recommendations to the Azad Jammu & Kashmir Council on policies with respect to international telecommunications.

To obtain more information about the Pakistan Telecommunication Authority, visit its website: <http://www.pta.gov.pk>

6.5 **Frequency Allocation Board (the “Board”)**

Under the provisions of Azad Jammu & Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005, and notification of Administration of Northern Areas, the Board is empowered to allocate and assign radio frequency spectrum to operators

Annex 'A'

[on the letterhead of applicant company]

Director (Wireline)
Pakistan Telecommunication Authority
Headquarters
Sector F-5/1, Islamabad, Pakistan.

Subject: **APPLICATION FOR TELECOMMUNICATION
INFRASTRUCTURE/TOWER LICENSE IN AJ&K AND NAs**

We hereby apply for **TELECOMMUNICATION INFRASTRUCTURE OR TOWER** license to provide **TELECOMMUNICATION INFRASTRUCTURE OR TOWER** services in Azad Jammue & Kashmir (AJ&K) and Northern Areas as per provisions made in Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-Organization) Act, 2005. The application is submitted in accordance with the Authority's Information Memorandum (IM).

We remain,

Yours truly,

Signature

Name

Designation

Date