

**BY UMS/SPEEICAL MESSENGER**  
**MOST IMMEDIATE**

**NO.LAW-1/3/2003-AJKC**  
**AZAD JAMMU AND KASHMIR COUNCIL**  
**SECRETARIAT**

Sector F-5/2,  
Islamabad, the 8th June, 2006

To

- (1) The Secretary,  
KA&NA Division,  
Government of Pakistan,  
**ISLAMABAD.**
- (2) The Secretary,  
Cabinet Division,  
Government of Pakistan,  
**ISLAMABAD.**
- (3) The Secretary,  
I.T and Telecommunication Division,  
Government of Pakistan,  
**ISLAMABAD.**
- (4) The Chief Secretary,  
Azad Govt. of the State of J&K,  
**MUZAFFARABAD.**
- (5) The Chief Secretary,  
Northern Areas,  
Government of Pakistan,  
**ISLAMABAD.**
- (6) The Chairman,  
Pakistan Telecommunication Authority,  
Sector F-5/1 (Headquarter),  
**ISLAMABAD.**
- (7) The Signal Officer-in-Chief,  
Signal Directorate,  
General Headquarters (GHQ),  
**RAWALPINDI.**
- (8) ✓ The Director General (Tech),  
Inter-Services Intelligence (ISI),  
**ISLAMABAD.**
- (9) The Director General,  
Special Communication Organization,  
Qasim Road,  
**RAWALPINDI.**
- (10) The Director, Military Intelligence,  
Military Intelligence Directorate,  
General Headquarters (GHQ),  
**RAWALPINDI.**

**SUBJECT:- MINUTES OF THE INTER-MINISTERIAL MEETING DATED 12-04-2006 ON TELECOMMUNICATION SECTOR COMPETITION IN AJ&K/NAs.**


Dear Sir,

In continuation of the Council Secretariat's letter of even number, dated the 24<sup>th</sup> April, 2006, I am directed to forward herewith a copy of the Minutes of the Inter-Ministerial meeting, dated 12<sup>th</sup> April, 2006 (duly approved), on the above subject for information/record and compliance/implementation, where necessary, in the matter.

2. The replies/clarifications to the points/suggestions raised by some stakeholders are being conveyed separately.

Encl: As above.

✓	DC
	Cc
✓	CC

Yours faithfully,  
  
(SAJJAD AHMAD)  
JOINT SECRETARY  
Phone: 9201362  
Fax: 9201675

*Received*

R-27

**MINUTES OF THE INTER-MINISTERIAL MEETING HELD ON 12-04-2006 UNDER THE CHAIRMANSHIP OF FEDERAL MINISTER FOR KASHMIR AFFAIRS AND NORTHERN AREAS/MINISTER INCHARGE, AZAD JAMMU AND KASHMIR COUNCIL SECRETARIAT.**

An Inter-Ministerial meeting was held on 12-04-2006 under the Chairmanship of the Federal Minister for Kashmir Affairs and Northern Areas/Minister Incharge, Azad Jammu and Kashmir Council Secretariat (Makhdoom Syed Faisal Saleh Hayat) in the Committee Room of the KA & NA Division, 'R' Block, Pak: Secretariat, Islamabad to discuss and decide deregulation matters generally relating to Telecom Sector in AJ&K/NAs as well as in the light of Cabinet decision dated 1st December 2005.

2. List of participants is at (Annex-I).

3. The Federal Minister for KA&NA/Minister Incharge, AJ&K Council Secretariat (Makhdoom Syed Faisal Saleh Hayat) welcomed the participants of the meeting and stated that long over due meeting is being held today to discuss how to go ahead with regard to the Cabinet decision dated 01-12-2005 regarding opening up of the territory of AJ&K to the Mobile/Cell Phone operators working in Pakistan through the PTA subject to the stipulation that a transparent methodology will be devised whereby a reasonable compensation could be obtained which would be utilized for the earthquake affectees of AJ&K.

4. The PTA prepared a working paper and presentation for the meeting to work out parameters for the implementation of the said Cabinet decision. The Minister for KA&NA/Minister Incharge, AJ&K Council Secretariat asked the Chairman, PTA to present a plan for introduction and promotion of deregulation and liberalization of telecommunication in AJK and Northern Areas.

5. The Chairman, PTA apprised the meeting about the statistics of telephones, areas and population of AJ&K and Northern Areas. He also informed the meeting that out of 6 (six) Mobile Telephone Operators of Pakistan 4 (Four) Mobile Telephone Operator are working provisionally in AJ&K with the specific permission of the Federal Government of Pakistan. They have so far 147,000/- plus Mobile Telephone users in AJ&K apart from the



SCOs 50,000/- Cellular Phone users. After the briefing the Chairman, PTA gave replies to the questions of DG, SCO and other participants of the meeting. Chairman PTA stated / offered as under:-

- (i) The AJ&K Council has passed an Act titled "The AJ&K Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005 to adapt and enforce the Pakistan Telecom (Re-organization) Act, 1996 to provide legal cover for PTA as regulator and an Agent of AJ&K Council in AJ&K.
- (ii) The purpose is to open telecom sector for competition and encourage investment in AJ&K.
- (iii) The Federal Cabinet in its meeting dated 1st December, 2005 decided as under:-

*"The Cabinet decided to open up the territory of AJ&K to the mobile/cell operators working in Pakistan through the Pakistan Telecommunication Authority subject to the stipulation that a transparent methodology will be devised whereby a reasonable compensation could be obtained which would be utilized for the earthquake affectees of AJ&K."*

6. The Chairman explained that initial license fee has been estimated keeping in view the population, GDP per Capita and prospects of growth. All these factors have been compared with Pakistan to relate with Pakistan's Auction Winning Price – US\$291 Millions. Earthquake and difficult terrains in the said areas have also been taken into consideration.

7. Keeping in view the various factors he recommended:-

(A) **Cellular Mobile Telephony License:**

- All existing CMTOs in Pakistan are eligible for cellular mobile license in entire AJ&K & NAs;
- The term of the CMT license shall be 15 years;
- Initial License fee shall be US \$ 10 Million. 50% of initial license fee as upfront and remaining 50% in 10 years equal installments;
- Licensee shall also have to pay 1% R&D Fund and 1.5 USF;
- License shall also have to pay an annual licensee fee @ 0.5% of gross revenue minus inter-operator charges;
- M/s SCO shall be allowed to continue under the new regime and would pay the same fee at the time of renewal;
- Funds generated from licensing would be deposited in the respective head of account and utilized for earthquake affectees as per decision of the Cabinet.

(B) **Fixed Line Telecom Licensing**

**LDI LICENSE**

- Licensing shall be open and unrestricted;
- Initial License Fee shall be US \$ 20,000;
- The term of the license shall be 20 year;
- Licensee shall develop Telecom infrastructure such as fiber optic, microwave links or satellite access in the region;
- SCO shall be considered SMP/incumbent like PTCL

**L.L.LICENSE**

- The AJ&K & NAs will be divided into three Telecom Regions as under:-
  - TRI consisting of Mirpur Division;
  - TR2 consisting of Muzaffarabad Division;
  - TR3 consisting of Northern Areas.

LL License fee shall be as under:

- AJK: US \$ 2000
- NA: US \$ 1000

WLL Spectrum price will be as under:-

<u>Region</u>	<u>Price</u>	
	<u>CDMA 1900</u>	<u>WLL/BB 3.5</u>
TRI (Mirpur)	PKR 5.0 M	PKR 0.6 M
TRII (Muzaffarabad)	PKR 3.5 M	PKR 0.5 M
TRIII (NAs)	PKR 2.0 M	PKR 0.3 M

**Class Value Added Service License**

- CVAL regime of Pakistan shall be applicable in AJ&K and NAs;

- AJK: PKR 0.10 M
- NA: PKR 0.03 M

**Miscellaneous**

- R&D Fund and USF contribution will be the same as in Pakistan;
- The PTA visualizes handling of Mobile licensing process followed by LD/LL Licensing within 90 days period.
- The PTA offered the transfer of 100% License fee to AJ&K Council after deduction of administrative charges.

8. Thereafter, the D.G, SCO gave presentation about the SCOs proposed and on going projects and number of telephone users in AJ&K/NAs. The D.G, SCO also answered questions during the presentation as well. The following recommendations of the SCO to deregulate/liberalize telecom sector in AJ&K/NAs were considered:-

- (i) De-regulation of telecom sector of AJ&K/NA be pended for atleast 2-3 years.
- (ii) Saturation in Urban area be avoided.
- (iii) If at all other Mobile Telephone Operators are allowed to operate in AJ&K/NAs then following be ensured to safe-guard the loss of revenue of SCO:-
  - (a) Only one Operator beside SCO be allowed.
  - (b) No Cellular/LDI Operators other than SCO be allowed to terminate international traffic in AJ&K and NAs.
  - (c) SCO be exempted for paying of CPP charges to other Mobile Operators in AJ&K and NAs for atleast two years.
- (iv) An NOC for site clearance for installation of any BTS should be obtained from Security Agencies namely MI and ISI.

9. The Chairman, PTA informed the meeting that the system as in vogue in Pakistan regarding NOC for the installation of BTS shall be followed in AJ&K. The PTA will listen the view point on security issues of the security agencies namely MI and ISI. The Chairman, PTA was very emphatic that the revenue of SCO will certainly increase with the deregulation as has been witnessed in Pakistan.

10. The Federal Minister for Information and Technology (Mr.Awais Ahmed Khan Leghari) stated that they are facing difficulties in consuming the "Research and Development Fund" (R&D Fund) in Pakistan, as such for AJ&K the R&D Fund and Universal Service Fund (USF) may be merged in USF and will be fixed @ 2% of gross revenue. He also offered sharing of R&D results and studies available in Ministry of IT with

the Council Secretariat. The Federal Minister for IT also dilated upon the security concerns and stated that in this regard Pakistan Model will be followed in AJ&K.

11. The Federal Minister for IT (Mr. Awais Ahmed Khan Leghari) also stated that the security concerns are always taken care of by the "Frequency Allocation Board" (FAB) and the procedure followed by the Frequency Allocation Board will be followed for AJ&K. He also lauded the performance of the SCO and suggested that the SCO may hire some experts from the private market to enhance their potential. The Federal Minister for IT was of the view that with the de-regulation of telecom sector of AJ&K the profitability of SCO will increase but to harness the opportunity they will have to prepare themselves by enhancing existing backbone infrastructure. Therefore, the SCO may be granted autonomy from the PSDP regarding allocation of funds for their development projects.

12. The Federal Minister for KA&NA/Minister Incharge, AJ&K Council Secretariat appreciated the performance of SCO and stated that SCO has done commendable job in the hard areas of AJ&K/NAs. He also requested the Federal Minister for IT to favorably look after the SCO's demands of additional funds for their projects.

13. The Secretary, KA&NA/AJ&K Council Secretariat stated that since the revenue pertains to the AJ&K Council, as such matter regarding its utilization for the earthquake affectees of AJ&K will have to be decided by the AJ&K Council particularly the quantum thereof.


14. Thereafter, Brig. Muhammad Munir from ISI stated that since the government has decided for deregulation, the security concerns should be addressed. He accordingly highlighted the concerns and requested that these may be made part of decisions for future

reference and adherence. While framing the security /legal interceptions /monitoring related conditions in all licenses for AJ&K and Northern Areas for new telecom deregulation regime, PTA to draft these in coordination with ISI for smooth implementation. The Director, MI (GHQ) also endorsed the view point of ISI regarding security concerns and further stated that the matter regarding de-regulation in AJ&K may be pended for 2-3 years as has been suggested by the SCO. ✓

15. After detailed deliberations following decisions were taken in the light of Cabinet decision:-

a) Some participants pointed out that the Azad Jammu and Kashmir Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005 does not cover Northern Areas. The Minister of Kashmir and Northern Areas informed that a notification will be arranged to extend the Pakistan Telecommunication (Re-organization) (Amendment) Act 2006 to Northern Areas as well.

b) Cellular Mobile Licensing:

- i) All Cellular Mobile Companies operating in Pakistan shall be allowed to operate in AJK and Northern Areas as well;
  - ii) Only that company will be allowed to operate who will pay US \$ 10 Million as license fee.
  - iii) 50% of initial license fee shall be paid as upfront and the remaining 50% will be paid in equal installments in a period of 10 years;
  - iv) The term of the license will be 15 years;
  - v) The licensees shall pay 0.5% of the previous year's gross revenue minus inter-operator and related PTA / FAB mandated payments as annual fee to cover the cost of regulation;
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- vi) Mobile licensee shall pay a USF Charge limited to 2% of gross revenue minus inter-operator and related PTA / FAB mandated payments as determined by the Authority and the mobile operators shall be eligible to apply for money from the USF in order to cover rural and under-served areas as per Rules/ guidelines issued for utilization of USF.

c) **Fixed Line Telecom Licensing:**

After awarding licenses to cellular mobile operators, fixed line telecommunications licenses will be issued. There will be two categories of fixed line telecom licenses as under:

i) **LDI License**

- Long Distance and International (LDI) licenses shall be issued for the whole AJ&K and NAs.
- Licensing shall be open and unrestricted;
- Licensee shall develop Telecom infrastructure such as fiber optic, microwave links or satellite access in the region;
- Licensees will pay to PTA 0.5% of last year's gross revenue minus inter-operator and related PTA / FAB mandated payments as annual fee to cover the cost of regulation;
- The USF Charge will be 2% of gross revenue minus inter-operator and related PTA / FAB mandated payments as determined by the Authority.

ii) **LL License**

- Local Loop/ Wireless Local Loop (LL/WLL) licenses shall be issued on Telecom Region basis.
- The term of license will be 20 years;



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

- TR1 - Mirpur Division**
- TR2 - Muzaffarabad Division**
- TR3 - Northern Areas**

- Licensees will pay to PTA 0.5% of last year's gross revenue minus inter-operator and related PTA / FAB mandated payments as annual fee to cover the cost of regulation.
- The USF Charge will be 2% of gross revenue minus inter-operator and related PTA / FAB mandated payments as determined by the Authority.

**III.** WLL Spectrum price will be determined through auction as done in case of Pakistan.

- d) As proposed by Minister for Information Technology and Telecom, it was agreed that other licenses i.e. CVAL and Infrastructure Licenses will also be issued in AJ & K and NAs.
- e) **SCO:** The license granted to the SCO shall be deemed to have been issued under this Act. SCO shall be allowed to continue under the new regime and would pay the same fee at the time of renewal. SCO shall be considered SMP/incumbent like PTCL.
- f) **Funds:** 100% fees/ charges of any kind payable by licensees to PTA less the administrative charges/ cost of regulation will be transferred to AJ&K Council and Administration of Northern Areas in time regularly. Ministry of KANA and PTA will work out share distribution of AJK and NAs taking into account the various factors relating to said areas.
- g) **Security:** Process for clearance of cell sites will be followed as per the procedure laid down. Provisions made in the Act, Rules and Regulations will be strictly observed. Sensitivity of the area will be given due consideration. The following guidelines will be observed to ensure security concerns in particular;

- 1) The PTA will meet security concerns as per provisions of the Pakistan Telecommunication (Re-organization) Act, 1996, as amended from time to time.
  - 2) All licensees should be given service commencement certificate by PTA only after necessary legal interception/monitoring conditions are met by the operators.
  - 3) The cellular service in AJ&K and Northern Areas should not be made available within 10-Km distance of LOC. The BTSs (Base Transceivers Stations) should be sited/approved by the Companies/PTA in such a way that strength of the signal fades away along the LOC and no communication takes place across the LOC. The BTS clearance shall be done as per prescribed procedure being followed by PTA in Pakistan.
  - 4) No ciphering equipment/software are used by the service provider/user till it is cleared by the PTA in consultation with security agencies.
  - 5) Deployment of foreigner technical experts in the area should be subject to clearance from the concerned Intelligence Agencies.
  - 6) All service providers be made responsible to extend their services to the defence organizations working in the area.
  - 7) Appropriate clauses be made part of licensing agreement to ensure compliance of legal requirements and to avoid any violation by service providers at later stage because of the sensitivity of the area.
  - 8) Only installation of legal interface compliant exchanges be allowed in AJ&K and NAs. Moreover, the service providers be made responsible to provide legal interfaces alongwith requisite monitoring equipment to the designated military agencies as per the requirements of Pakistan Telecommunication Act. Necessary provisions with regard to the Legal Interception (LI) compliance be incorporated in the Licensing Agreements as provided under the law and being practiced in Pakistan.
  - 9) All service providers will be made responsible by PTA to extend their services to the remote areas also rather than concentrating in the urban centers.
  - h) The Ministry of IT will provide research results/studies in the field of R&D available with them to the AJ&K Council.
16. The meeting ended with a vote of thanks to the chair.

ATTENDANCE SHEET

INTER-MINISTERIAL MEETING ON TELECOM SECTOR

Dated 12-04-2006

S.NO.	NAME & DESIGNATION	DEPARTMENT/AGENCY	SIGNATURE
	Col Tahir Dir (Ops & Dev)	SCO	
	Brig Amir Azam Bhatti	Director, Military Intelligence Directorate, GHA	
	IFTIKHAR AHMED	Dir Gen ISI	
	Brig Muhammad Munir	Dir Gen ISI	
	Maj Gen Shauhid	DG SCO	
	Faizullah Qayyum	Secy. MoITT	
	M. M. Anwar Laghari	Minister IIT	
	Muhammad Ahsan	DC (Wahdat Dir.) PTA	
	KAMRAN ALI	DG (L&L)	
	Mazhar Butt	DG Coord PTA	
	Sardar Iqbal Shaban	Regional Commissioner Tax	
	Farhat Ali Mir	Rep. CoAJK	
	SAJJAD AHMAD	JS AJK	
	Abul Baki	JS; KANA	
	Russol Bakhsh Bakhsh	Secy KANA	
	Minister for KANA		(In chain)
	Imtiaz Kaz	CS NA	
	ISHIAK A. KHAN	AS, Cabinet Div.	
	M. Col Anwar Ali	HLR SCO	
	Mahmud Yasin Tajna	OS (A/K) KANA	

- Ahmed Shamim Dir (Coord) PTA

- Chairman PTA