

INFORMATION MEMORANDUM
LONG DISTANCE INTERNATIONAL (LDI)
&
LOCAL LOOP (LL) TELECOMMUNICATION
FOR
AJ&K and NAs

PAKISTAN TELECOMMUNICATION AUTHORITY

Information Memorandum for Applicants for LL & LDI

Part I - Preamble	4
Introduction	4
Schedule of Events.....	5
Address for Correspondence.....	6
Definitions.....	7
Part II - Information on the Azad Jammu & Kashmir and Northern Areas Telecommunication Sector.....	10
Economy of Azad Jammu & Kashmir and Northern Areas.....	10
Overview of Telecommunication Sector in AJK and NAs.....	11
Salient Features - Licensing Regime	13
Telecommunication Sector Regulation in Azad Jammu & Kashmir and Northern Areas	15
Part III -General Information Concerning LL and LDI Licenses.....	18
Introduction.....	18
Availability of Licenses	18
Price Regulation	18
Universal Service Fund	18
Radio Frequency Spectrum Availability	19
Part IV - Specific Rights and Obligations of LL Licensees.....	19
Scope of the Local Loop (LL) License.....	19
Service Quality	20
Rollout Requirements	20
Numbering	20
No requirement to provide certain services.....	21
Number portability	21
Price Regulation of "131" Internet Access Service.....	21
Part V - Specific Rights and Obligations of LDI Licensees	21
Scope of the Long Distance International (LDI) Licenses.....	21
Mandatory Services and Prohibited Services	22
Service Quality	22
Roll-out Requirements	22
Numbering.....	23
Access to International Transmission Facilities.....	23

Part VI - Rights and Obligations Common to Both LL and LDI Licensees.....	24
Interconnection.....	24
Access to Rights of Way and Private and Public Property.....	24
Term of the Licenses	24
Availability of Radio Frequency Spectrum	25
Commitments to Deploy Radio-Based Infrastructure	25
Fees	26
Obligations of SCO.....	28
Other Provisions	28
Part VII - Instructions to Applicants.....	29
Description of the Application Process- General.....	29
Special Procedures for Initial Applications for Licenses.....	30
Application Information.....	31
Eligibility Criteria.....	34
Grounds for Disqualification	34
Subsequent Disqualification	35
Submission of Applications	35
Communications.....	35
Confidentiality of Applications	36
Cost of Application.....	36
Modification of the Conditions of the Licenses.....	37
Reservation of Rights	37
Legal and Formal Requirements	37
Part VIII-Bidding Procedure for Assignment of Spectrum	38
Part VIII -Bidding Procedure for Assignment of Spectrum	38
Assignment of Radio Frequency Spectrum	38
Annexes	42

Part I - Preamble

1. Introduction

- 1.1 Extension of 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 Pakistan Telecommunication Reorganization Act 1996, 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. 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 will also be available to the people of AJ&K and NAs in the near future.
- 1.2 The purpose of this document is to provide information to prospective Applicants for Licenses to provide telecommunication services in the following categories namely, Local Loop ("LL") and Long Distance International ("LDI") 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 LL and LDI Licensees, as well as the timetable, instructions and related information concerning the licensing process.
- 1.4 By virtue of adaptation of Pakistan Telecommunication (Re-organization) Act 1996 by Azad Jammu and Kashmir Council and Administration of Northern Areas, the Pakistan Telecommunication Authority (the "Authority") will grant licenses to all applicants that meet the requirements outlined in Part VII, following the procedure described in Part VII of this Information Memorandum.

1.5 Prospective applicants may submit any questions or requests for clarification on the contents of this Information Memorandum to the Authority at the address indicated in section 3.1 below.

1.6 Spectrum charges per MHz per annum shall be applicable to all the licensees as approved by the Authority.

2. Schedule of Events

2.1 Applicants may apply for licenses at any time. The Authority expects to process applications promptly and, in most cases, to issue licenses within 30 days after receipt of applications.

2.2 Applications for the first round must reach at the address given below by or before 1200 Mrs Pakistan Standard Time on 15th October 2007. Any application received after the closing date and time shall not be processed. The Authority reserves the right to change this timetable, as circumstances require.

Schedule of Events for Grant of LDI/LL Licenses

<u>EVENT</u>	<u>CALENDAR DATE</u>
Advertisement	Sep 4, 2007
Posting of Information Memorandum (IM) on PTA website	Sep 4, 2007
Queries from potential investors on IM	Sep 21 , 2007
Replies	Oct 5, 2007
Deadline for receipt of applications	November 6, 2007
Issuance of LDI, FLL, CVALS, Infrastructure and Tower Licenses	Date, time & RV later
Spectrum Auction	Date, time & RV later
Issue of WLL Licenses	Date, time & RV later

3. Address for Correspondence

3.1 All correspondence relating to this Information Memorandum and the licensing process, and all Applications for Licenses, should be addressed to:

Director General (Wireline)
Pakistan Telecommunication Authority
H/QsF-5/1, Islamabad
Pakistan
Telephone: + 92 (51) 9225312
Fax:+92 (51) 287 8113

3.2 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.

- 3.3 The Authority further reserves the right to modify or terminate the licensing process at any time at its sole discretion.
- 3.4 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.
- 3.5 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.
- 3.6 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 EVI.

4. Definitions

The words and expressions used herein but not defined shall have the same meaning as are respectively assigned to them in the Act, the rules and regulations and Licenses issued there under. In this Information Memorandum, unless the context otherwise requires, the following terms shall have the meanings indicated below:

"Act" means the Azad Jammu & Kashmir Council Adaptation of "Pakistan Telecommunication (Re-organization) Act, 1996" vide "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 and includes any amendments thereto from time to time

"Affiliate" means, in relation to an Applicant or an Operator, a Person who controls the Applicant or Operator, or who is controlled by the Applicant or Operator or by any other person who is controlled by the person who controls the applicant or operator.

"Authority" means the Pakistan Telecommunication Authority established under section 3 of the Pakistan Telecommunication (Re-organization) (Amendment) Act, 1996 and empowered under the provisions of the Azad Jammu & Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005 for the purposes of the said Act in Azad Jammu & Kashmir and Northern Areas.

"Azad Jammu & Kashmir Council" means the Azad Jammu and Kashmir Council constituted under the Azad Jammu and Kashmir (Interim) Constitution Act, 1974

"Board" means the Frequency Allocation Board, empowered under the provisions of Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005 for the purposes of the said Act or any successor thereto.

"Control" means control in any manner that results in control in fact, whether directly through ownership of shares or indirectly through an agreement, arrangement or otherwise, or indirectly through an agreement or arrangement involving next of kin.

"Effective Date" means the date on which a license is issued by the Authority.

"Interconnection Rules" means the Rules relating to interconnection.

"License" means an LL, LDI, CVAS, Tower or Infrastructure License as described in this Information Memorandum or any other license issued by the Authority.

"Licensee" means a grantee or holder of a license issued by the Authority.

"Licensed Services" means the telecommunication services to be provided by a licensee under a LL, LDI, CVAS, Tower or Infrastructure License.

"Local Loop" means a communication channel, provided with or without a pair of wire(s), from a switching centre to a customer's telephone or Terminal Equipment.

"Long Distance" means end to end communication between points that are (i) located in different Regions or (ii) such other distance apart as the Authority may, by regulation, specify.

"Long Distance and International" means Long Distance and end to end communication between points that are located in Azad Jammu & Kashmir and Northern Areas including Pakistan with points that are located outside of Azad Jammu & Kashmir and Northern Areas except Pakistan.

"Network Connection Point" means a location at which operators other than the licensee can send to or receive from the licensee voice or data traffic originated by or destined for the Licensee's customers.

"Operator" means a person authorized by a license issued by the Authority to provide a telecommunication service or to establish maintain or operate a telecommunication system.

"Person" means a natural or legal person.

"Region" means one of the telecommunication regions, appearing on the map attached as Annex C.

"Regulations" means all or any Regulations including Pakistan Telecommunications Authority (Functions & Powers) Regulations, 2006 issued by the Authority from time to time under Pakistan Telecommunication (Re-organization) Act, 1996 adapted by Azad Jammu and Kashmir Council under the provisions of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005.

"Rules" means all or any Rules including Pakistan Telecommunications Rules, 2000 issued by the Federal Government of Pakistan under Pakistan Telecommunication (Re-organization) Act, 1996 adapted by Azad Jammu and Kashmir Council under the provisions of the Azad Jammu and Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005.
"SMP" means significant market power.

"Working Days" means Monday to Friday, excluding public holidays.

Part II - Information on the Azad Jammu & Kashmir and Northern Areas Telecommunication Sector

5. Economy of Azad Jammu & Kashmir and Northern Areas

- 5.1 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.
- 5.2 The population of Azad Jammu & Kashmir is estimated as 3.798 million and the population of NAs is approximately 1.5 million.
- 5.3 Average per capita income is estimated as US \$ 200 in AJ&K and US\$ 125 in Northern Areas.

- 5.4 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.
- 5.5 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.
- 5.6 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 have been setup and almost 10,000 laborers 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 Kanals to 100 Kanals are available. The establishment of Dry Port and Export Processing Zone with railway link is under process.
- 5.7 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.

6. Overview of Telecommunication Sector in AJK and NAs

- 6.1 Special Communications Organization (SCO) has been the only telecommunication service provider of the region since 1976. 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 long-haul and access network resources in the area. It is hoped that SCO will continue playing a pivotal role in the communication of the region.

- 6.2 After the issuance of mobile cellular licenses in June 2006, mobile teledensity of AJ&K and NAs has increased considerably due to an 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%. There is a lot that needs to be done in the AJ&K and NAs. A vast majority of population is without telecommunication facilities. The combined population of the region is estimate to be around 5.3 million out of which only 1.02 million has yet been covered. The literacy rate, per capita income and hence the demand for communication facilities is considered to be reasonable enough to sustain several telecom operators. It is estimated that the new operators can at least capture 1.32 million subscribers before the teledensity reaches current level of Pakistan.
- 6.3 On pressing demand of people of AJ&K and NAs, the Government decided to De-regulate the telecom sector of AJ&K and NAs, and provide the facilities to the people of the areas at par with rest of Pakistan. In view of the same, the AJ&K Council passed Act of 2005 and Administration of Northern areas issued Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) order, 2006 notification of Administration of Northern Areas to adapt and enforce the Pakistan Telecommunication (Reorganization) Act 1996 in AJ&K and NAs for providing legal cover to entities involved in telecom services in AJ&K and NAs.

- 6.4 The main purpose of adapting the Act is that PTA may regulate and open telecom sector of AJ&K and NAs for competition and private investment on lines of Pakistan.

7. Salient Features - Licensing Regime

- 7.1 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.

- 7.2 For achieving the same objectives and granting same benefits to the people of AJ&K and NAs ,i.e., increase service choice for customers, promote infrastructure development, 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 licensing regime also proposes issuance of new licenses for mobile operators in the territory. The key features of the regime include: licensing of new, competing LL and LDI operators in an open entry environment, Increased availability of radio frequency spectrum resources for new operators, and establishment of a universal service scheme.

7.3 LDI License

- 7.3.1 LDI licenses shall be issued for the whole of AJ&K and NAs;
- 7.3.2 Initial license fee for LDI licenses shall be US\$ 20,000
- 7.3.3 The term of the license shall be 20 years;

- 7.3.4 LDI licensees shall develop telecom infrastructure such as fiber optics, microwave links or satellite access in the region;
- 7.3.5 The licensee shall own a proportion of the transmission system and cables comprising its network. The proportion will be 10% in year 1 rising to 30% in year 2 and 50% in year 3 measured in 2Mbit/ S X KM;
- 7.3.6 Licensee 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;
- 7.3.7 The USF contribution will be 2% of gross revenue minus inter-operator and related PTA/FAB mandated payments as determined by the Authority.

7.4 **LL License**

- 7.4.1 LL Licensees may opt for WLL License if they are able to win spectrum of WLL band indicated in the license clause. WLL Operators will implement limited mobility to single cell as per the determination issues on July 13, 2005 and will restrict the use through FWT only.
- 7.4.2 Local Loop/ wireless Local Loop (LL/WLL) Licenses shall be issued on per Telecom Region basis.
- 7.4.3 The term of license will be 20 years.
- 7.4.4 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, Sudhnoti & Neelum).
 - TR3-Northern Areas
- 7.4.5 License Fee shall be as under:
- TR1- US\$ 2000
 - TR2- US\$ 2000
 - TR3- US\$ 1000

- 7.4.6 Fee for Northern Areas has been kept less keeping in view the difficult terrain and poor state of telecommunications and to motivate/ encourage operators to opt for NAs.
- 7.4.7 The licensee will pay to PTA 0.5% of last years gross revenue minus inter-operator and related PTA / FAB mandated payments as annual fee to cover the cost of Regulation.
- 7.4.8 The USF charges will be 2% of gross revenue minus inter-operator and related PTA/FAB mandated payments as determined by the Authority.
- 7.4.9 WLL spectrum price will be determined through auction as done in case of Pakistan.
- 7.4.10 The license granted to SCO shall be deemed to have been issued under the Act. SCO shall be allowed to continue under the new regime and would pay the same fee at the time of renewal. SCO will act as incumbent. It will be considered SMP and provide interconnection and co-location facilities in AJ&K and Northern Areas like those of PTCL in Pakistan. The RIO applicable in Pakistan will also be applicable in AJ&K and NAs.
- 7.4.11 Process for clearing of cell sites will be followed as per procedure laid down, provisions made in the Act, Rules and Regulations will be strictly observed. Sensitivity of the area will be given due consideration.

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

8.1 Regulatory Framework

- 8.1.1 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.
- 8.1.2 Azad Jammu & Kashmir Council adapted Pakistan Telecommunication (Re organization) Act, 1996 along with 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 and Kashmir whereas FAB has been given the mandate to allocate and assign frequency spectrum in the said territory. Administrations of Northern Areas has also extended Pakistan Telecommunication (Re-organization) Act, 1996 in Northern Areas through Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) order, 2006 notification of Administration of Northern Areas. 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.
- (b) Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) order, 2006 notification of Administration of Northern Areas.
- (c) All Rules including Pakistan Telecommunication Rules, 2000 or any amendments thereto from time to time;
- (d) All regulations including Pakistan Telecommunication Authority Functions & Powers) regulations, 2006 or any amendments thereto from time to time.

8.2. Institutional Framework

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.

8.2.1 Azad Jammu & Kashmir Council/Administration of NAs

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 of Northern Areas is Ministry of Kashmir Affairs & Northern Areas (KA&NA).

8.2.2 Pakistan Telecommunication Authority

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>

8.2.3 Frequency Allocation Board (the "Board")

Under the provisions of Azad Jammu & Kashmir Council Adaptation of Pakistan Telecommunication (Re-organization) Act, 2005, and Northern Areas Telecommunication (Re-organization) (Adaptation and Enforcement) order,

2006 notification of Administration of Northern Areas, the Board is empowered to allocate and assign radio frequency spectrum to operators.

Part III -General Information Concerning LL and LDI

Licenses

9. Introduction

The information included in this Information Memorandum is provided for the convenience of applicants. The specific rights and obligations of Licensees will be established in the relevant Licenses and in the Act, Rules and Regulations. Applicants are advised to refer to annexes E and F, which contain copies of the draft LL and LDI Licenses. Some of the rights and obligations are highlighted below.

10. Availability of Licenses

10.1 In accordance with the Licensing Regime, Azad Jammu & Kashmir and Northern Areas are adopting an open licensing regime for LL and LDI Licenses.

10.2 An applicant may apply for LL licenses in more than one region(s) separately. An applicant can also apply for a LDI License in addition to LL License(s). In all cases, however, those applicants that are granted licenses will have to comply with the rollout obligations and other conditions applicable to each such License.

11. Price Regulation

Except in very limited circumstances, licensees will not be price regulated by the Authority. They may establish their prices and change them without regulatory approval. The Authority may, however, impose price regulation if a licensee obtains significant market power in a relevant market. As well, the Authority reserves the right to impose price regulation on LL and IDI Operators if their pricing becomes unfair and burdensome to consumers.

12. Universal Service Fund

Government of Azad Jammu & Kashmir and Northern Areas will be establishing a Universal Service Fund to promote increased availability of telecommunication in areas that are unserved or underserved. LL and LDI licensees will be required to contribute to this fund. The Licensing Regime establishes a maximum contribution of 2% of adjusted gross revenues.

13. Radio Frequency Spectrum Availability

Licensing Regime sets out policy direction concerning the availability, use and reassignment of radio frequency spectrum. This recognizes that some LL and LDI licensees will require access to radio frequency spectrum in order to offer their services. The process of assigning radio frequency spectrum is described in Part VIII below.

Part IV - Specific Rights and Obligations of LL Licensees

14. Scope of the Local Loop (LL) License

14.1 A LL License will authorize the licensee to construct local network facilities in licensed Region and to provide basic public telephone access and other telecommunication services in that region. A map of the Regions is provided in Annex C. LL license will be granted for following telecom regions:

- TR1- Mirpur division (Mirpur, Bhimber, and Kotli districts)
- TR2- Muzaffarabad division (Muzaffarabad, Bagh, Poonch, Neelum and Sudhnoti districts)
- TR3- Northern Areas

14.2 The License specifies mandatory and prohibited services and activities. See LL License, section 1.1 for more details.

14.3 **Mandatory Services:** LL licensees are required to provide certain services in the Licensed Regions. The primary requirement is to offer public telecommunication services, i.e. voice which also include the following:-

- Access to directory assistance,
- Access to emergency services,

- Access to operator services, and
- Access to Long Distance and International Telephone Services.

14.4 **Prohibited Activities / Services:** The LL Licenses contain a list of unauthorized services and activities. Although a LL licensee is not permitted to provide these unauthorized services or perform the unauthorized activities under the LL License, it may be permitted under other appropriate licenses that the applicant may wish to obtain.

15. **Service Quality**

LL licensees will be primarily responsible for the quality of service that they provide. However, the Authority recognizes that basic public telephone access service is a key service that the public relies on. As such, the Authority has an interest in ensuring that customers receive at least a minimum level of service quality. The minimum quality of service standards are set out in Article 6.5, and Appendix 3 of the LL License. In the future, the Authority may also issue regulations that state quality of service requirements.

16 **Rollout Requirements**

16.1 LL Licensees have minimal rollout requirements. They must establish at least one Network Connection Point in the licensed region and commence the provision of Mandatory Services within Twenty four (24) months from the Effective Date of the LL License.

16.2 Licensees that wish to use radio frequency spectrum in their operations will be subject to additional requirements, as discussed later in this Information Memorandum.

17. **Numbering**

17.1 Licensees will be required to comply with the national numbering plan established by the Authority for use in Azad Jammu & Kashmir and Northern Area.

- 17.2 Licensees will have the right to request geographic and applicable non geographic numbers, as well as short codes, in accordance with the national numbering plan, for use in the provisions of the Licensed Services.

18. No requirement to provide certain services

The License makes it clear that a LL licensee will only have to comply with certain requirements to assist competitors if the licensee achieves status of an operator with significant market power ("SMP"). Under the Rules (as proposed to be amended), a licensee will be presumed to possess SMP if it has a market share of 25% or above. If the Authority determines that a Licensee possesses SMP in a relevant market, the Licensee may be required, for example: (a) to open its ducts, poles or other similar facilities to use by competitors, or (b) to make available to its customers, indirect access (carrier selection) to long distant international services provided by other Operators.

19. Number Portability

LL Licensees will not be required to implement number portability to its customers or other Operators unless and until the Authority, by Regulation, imposes such a requirement.

20. Price Regulation of "131" Internet Access Service

The new LL operators must also offer dial-up Internet access service similar to the "ISF" service provided by SCO, at attractive rates. This requirement is made a condition of the LL License. This would serve the important objective of encouraging the use of Internet in Azad Jammu & Kashmir and Northern areas.

Part V - Specific Rights and Obligations of LDI Licensees

21 Scope of the Long Distance International (LDI) Licenses

- 21.1 A LDI License authorizes the licensee to construct LDI network facilities, and to offer LDI services, anywhere in Azad Jammu & Kashmir and Northern Areas.

- 21.2 A LDI Licensee will offer Long Distance and International telecommunication services to customers and other operators. SCO is required to permit its customers to gain access to LDI services from LDI licensees. New LL licensees do not have a comparable requirement (unless the Authority makes a prior SMP determination), although operators may, by contract, enter into agreements under which LL licensees offer its customers LDI services from a LDI licensee.
- 21.3 The license specifies mandatory and prohibited services and activities. These are described in section 1.1 of the LDI License.

22 Mandatory Services and Prohibited Services

- 22.1 **Mandatory Services:** LDI licensees are required to provide certain services. The primary requirement is to offer Long Distance and International public voice telephone service.
- 22.2 **Prohibited activities/services:** The LDI Licenses contain a list of unauthorized services and activities. Although a LDI licensee is not permitted to provide these unauthorized services or perform the unauthorized activities under the LDI License, they may be permitted under other appropriate licenses that the applicant may wish to obtain. In particular, basic public telephone access service is not authorized under the LDI License

23 Service Quality

LDI licensees will be primarily responsible for the quality of service that they provide. The Authority recognizes that Long Distance and International public voice telecommunication service is a key service that the public relies on and, as such, the Authority has an interest in ensuring that customers receive at least a minimum level of service quality. The minimum quality of service standards are set out in Article 6, and Annex 2 of the LDI License. In the future, the Authority may also issue regulations that state quality of service requirements.

24 Roll-out Requirements

- 24.1 LDI Licensees will be required to roll-out their networks to all telecom regions in Azad Jammu & Kashmir and Northern Areas. Licensees must establish one Network Connection Point in one of the three-telecom regions within one year of the Effective Date of the License, and in all regions within 3 years. See LDI License, section 3.2.
- 24.2 LDI Licensees are encouraged to build their own network infrastructure. LDI Licensees are required to own a proportion of the transmission facilities comprising its network. The proportion will be 10% in year 1, rising to 30% in year 2 and 50% in year 3. Section 3.2 of the LDI License describes the method of calculation of this requirement.
- 24.3 LDI Licensees will be permitted to lease infrastructure from SCO or any other infrastructure owner on mutually agreed commercial terms. A long-term lease of 5 years or more will be acceptable in lieu of ownership.

25 **Numbering**

- 25.2 Licensees will be required to comply with the national numbering plan established by the Authority for use in Azad Jammu & Kashmir and Northern Areas.
- 25.3 LDI Licensees will have the right to non-geographic numbering ranges, and will also be assigned short codes for operator service. They will also be issued a four digit access code of the type "XXXX", to allow indirect access (call by-call carrier selection) by customers and other Operators.

26. **Access to International Transmission Facilities**

- 26.1 LDI Licensees will have the right to participate in, and obtain IRUs (Indefeasible Rights of Use) from cable consortia and the right to install satellite earth stations to connect to international satellite networks. LDI Licensees will negotiate such arrangements.
- 26.2 LDI Licensees should note that all international agreements for conveyance of telephony in or out of Azad Jammu & Kashmir and Northern Areas are subject to prior Authority approval. See the LDI License, section 6.12.

Part VI - Rights and Obligations Common to Both LL and LDI Licensees

27 Interconnection

27.1 Interconnection between the Operators is governed by the applicable rules. The Authority has also issued Interconnection Guidelines to assist Operators. These are available at the Authority's website at www.pta.gov.pk

27.2 Every Operator, including a LL or a LDI licensee, is required to interconnect its network upon request, to the network of another operator. If the operators cannot reach agreement on their own, the matter may be referred to the Authority for resolution.

27.3 The "Reference Interconnect Offer" and Co-location Framework approved by the Authority (in case of PTCL) and implemented in Pakistan shall be applicable on SCO. SCO shall enter into interconnect agreement and provide co-location facilities in the light of said RIO and Co-location Framework respectively. However, the RIO and Co-location framework will be revised from time to time as SCO develops better cost-based pricing information.

27.4 LL and LDI licensees will have the right to co-locate in SCO local and transit exchange buildings, and to connect their own fiber and own radio links to SCO buildings, under commercial arrangements.

28. Access to Rights of Way and Private and Public Property

Licensees will have the right to obtain access to private and public lands, rights of way and other property required to establish, maintain and operate the telecommunication system and to provide the licensed services, pursuant to commercial agreements and in accordance with the laws of Azad Jammu & Kashmir, Northern Areas and Pakistan.

29 Term of the Licenses

- 29.1 The initial term for a LL or LDI License will be 20 years.
- 29.2 Following the initial or any renewal term, the Authority may renew a License for an additional term of 20 years or such other period as the Authority shall specify, consistent with the government's policy at the time, provided that the Licensee has complied with the terms and conditions of its license, the Act, Rules and Regulations. See LL License and LDI License, section 1.2.

30. Availability of Radio Frequency Spectrum

- 30.1 Subject to availability, Applicants shall have the right to apply to the Authority for the assignment of radio frequency spectrum that is necessary to establish and operate a Telecommunication System in order to provide Licensed Services. Radio frequency spectrum shall be assigned to licensees pursuant to the policies and procedures of the Board.
- 30.2 LL and LDI Licenses that are issued to applicants will include an appendix that specifies the radio frequency spectrum assigned to the licensee at the time of licensing.
- 30.3 Assignments of radio frequency spectrum for LL and LDI licenses shall be made for the initial term of the License that is 20 years, and may be renewed in accordance with the policies in effect at the relevant time.
- 30.4 The licenses specify a number of provisions to ensure the efficient management and use of radio frequency spectrum. See license, sections 5.2.

31. Commitments to Deploy Radio-Based Infrastructure

- 31.1 Licensees that are assigned radio frequency spectrum will be required to make specific commitments to deploy radio frequency spectrum infrastructure.
- 31.2 In the case of LL licensees that require the assignment of radio frequency spectrum in the designated bands(as defined below, and further described in Annex D), these commitments will be expressed in terms of number of radio base stations installed and operating in a Region(a) within Twenty Four (24) months from the Effective Date, and(b)on an ongoing basis thereafter. The specific commitments for the

designated bands are described in annex D. The board may revoke the right to use radio frequency spectrum where a licensee fails to meet its specific commitments.

31.3 In the case of LDI licensees and LL licensees that require radio frequency spectrum for point-to-point microwave purposes, applications will be processed by the board in the usual manner and on payment of the required fees. Licensees will be expected to make commitments to use the spectrum for the purposes intended, and to relinquish the usage if no longer required for those purposes.

32 **Fees**

In addition to applicable taxes, Licensees are required to pay a number of fees to the Authority and make contribution to funds in connection with the licenses and the application process. They also are required to make contribution to a Universal Service Fund. The following table summarizes the relevant fees. Further details can be found in the relevant Licenses.

Explanation: for the purpose of conversion of payable amounts into Pak Rupees, NBP TT selling rate prevailing at the business day preceding the date of payment shall be used.

FEE/CHARGE	AMOUNT
Application Processing Fee	US \$ 100 or equivalent Pak Rupees
Initial Fee - LL License	US \$ 2000 or equivalent Pak. Rupees per Region for TR1 & TR2, and US\$ 1,000/- for Region TR3.
Initial Fee - LDI License	US \$ 20,000 or equivalent Pak Rupees
Initial Fee - Radio Frequency Spectrum	Minimum initial fees for certain spectrum bands and blocks are described in the Spectrum Information Sheets attached in Annex-D. Additional fees may be payable in cases where a spectrum block is assigned by auction. See section 48 below. Fees may also be applicable for other spectrum bands.

Annual Regulatory Fee - License - Calculated on the basis of 0.5% (or such lesser amount as the Authority may, by Regulations, determine) of the Licensee's annual gross revenue from Licensed Services for the most recently completed Financial Year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. However initial license fee and initial spectrum fee shall not be deducted from the gross revenue.

Annual Regulatory Fee - Radio Frequency Spectrum - For designated bands described in Annex D, see Spectrum Information Sheets in Annex D. Fees may also be applicable for other spectrum bands.

Universal Service Fund Contribution - The Licensee shall contribute to the Universal Service Fund in an amount calculated on the basis of 2% (or such lesser amount as determined by the Rules) of the Licensee's annual gross revenue from Licensed Services for the most recently completed Financial Year of the Licensee minus inter-operator payments and related PTA/FAB mandated payments. However initial license fee and initial spectrum fee shall not be deducted from the gross revenue.

Annual Regulatory Fee - Numbers - The annual numbering fee is based on the length of the number allocated to the Licensee. A standard rate of charge is set for a seven-digit number and this amount is increased by a factor of ten for each single digit reduction. The standard charge for the seven digit numbers (including mobile, prime rate and free phone number) is fixed as Rs 0.50 per number per annum. The fee for

numbers of other lengths is based on this standard rate per number per annum as follows, subject to change by the Authority through Regulations, from time to time:

- (a) Six digit number Rs 0.50x10
- (b) Five digit number Rs 0.50x100
- (c) Four digit number Rs 0.50x1000
- (d) Three digit number Rs 0.50x10000

The maximum charge for an individual number is Rs. 5,000 per number per annum. This charge is imposed on short codes as well.

33. Obligations of SCO

33.1 The Licensing Regime, approved by Azad Jammu & Kashmir Council, and Administration of Northern Areas for licensing in Azad Jammu & Kashmir and Northern Areas, imposes a number of obligations on SCO to prepare for the entry of LL and LDI licensees.

33.2 SCO is to abide by the License conditions that are intended to discourage anti competitive conduct.

34 Other Provisions

34.1 A License may be amended by agreement between the Licensee and Authority, or pursuant to the provisions of the Act and the Rules.

34.2 Licenses are subject to the Act, Rules and Regulations and amendments thereto, which take priority over License provisions in case of conflict.

Part VII - Instructions to Applicants

35. Description of the Application Process- General

- 35.1 The Authority will publish this Information Memorandum on its website.
- 35.2 An Applicant must submit the required information in accordance with section 37 below. This information is further detailed in the checklist set out in Annex A. Applicants are expected to include a completed checklist in their Applications, and may find it a useful reminder of the documents and information required to be included in their Applications. Whether or not the applicant makes any other use of the checklist, the applicant must provide the specific documents and information identified in the checklist.
- 35.3 The Authority will verify the application for completeness within seven days. Incomplete applications will be returned.
- 35.4 The Authority will review the applications based on the eligibility requirements set out below. The Authority intends to complete such reviews within 20 days.
- 35.5 An applicant will be considered successful if it satisfies the eligibility requirements in section 38 and it is not disqualified pursuant to section 39.
- 35.6 The Authority will notify a successful applicant by letter stating that (a) its Application is accepted and enclosing a copy of the License, or (b) its Application is provisionally accepted, subject to the completion of the steps discussed in section 37 below.
- 35.7 In cases where the applicant has requested the assignment of radio frequency spectrum, and the demand by applicants exceeds the available supply, so that the Authority decides to hold an auction for such spectrum, the Authority's letter will state that the Application is provisionally accepted, pending the completion of the auction and payment of all relevant fees. If, following the conclusion of the auction, the applicant is the successful bidder for the radio frequency spectrum, and the applicant pays all relevant fees within the required time period, the Authority will notify the

successful applicant by letter that its application is accepted and enclosing a copy of the License.

35.8 The Authority will hold a public forum to inform successful as well as unsuccessful applicant about the grant of license or otherwise. The Authority will give the reasons for not accepting the request for the grant of license.

36. Special Procedures for Initial Applications for Licenses

36.1 The following procedures will be employed for the initial applications for licenses pursuant to this Information Memorandum. These procedures supplement the procedures in section 35 above. See also the timetable in section 2 above.

36.2 Potential applicants for licenses are encouraged to inform the Authority of their interest at an early opportunity, either by letter, fax or email to the address for correspondence in sections above. The Authority will maintain a list of interested parties, and will endeavor to contact those parties that provide an email address of changes that may occur in the timetable, or to provide additional information that the Authority considers appropriate. Potential applicants should also consult the Authority's website on a regular basis.

36.3 A prospective applicant may pose questions in writing (by letter, fax or email) to the Authority concerning this Information Memorandum within two weeks from the date of issuance of this Information Memorandum. The Authority shall attempt to respond to such questions in a timely manner. The Authority makes no commitment to respond to written questions received by the Authority after the laid down period. Questions and responses will be publicly available and will be posted on the Authority's website.

36.4 The Authority will hold an information conference for applicants, at the venue to be specified later on the date set forth in section 2 above. Authority representatives will be available to respond to questions from prospective applicants. A summary of the questions and answers will be publicly available and will be posted on the Authority's website.

36.5 Applications must be received by the Authority no later than the deadline set forth in section 2 above (the "Deadline for receipt of License applications").

36.6 The Authority will review applications based on the eligibility criteria set out below:

- (a) For those applications where no radio frequency spectrums requested, or where the radio frequency spectrum can be readily assigned, the Authority intends to complete its reviews within three to eight weeks after the application deadline, and to notify applicants immediately thereafter.
- (b) For those Applications where radio frequency spectrum is requested, and the Authority determines that auction is required. Auction will be conducted on the Date of Auction announced by the Authority at a later stage.

37. **Application Information**

37.1 An applicant shall make a separate application for a LL License and a LDI License. In case applicants are interested to obtain LL license in more than one Region, separate application shall be filed for each region along with necessary documents. Detail of the regions for LL License is provided in Annex C.

37.2 As part of the application, an applicant must provide the following:

- (a) Letter of Application (use form in Annex. B)
- (b) Checklist (use form in Annex A)
- (c) Fees in the following amounts, payable in Pak Rupees, by direct credit to the designated bank accounts of the Authority, under intimation to the Authority, through normal banking channels:
 - (i) Application fee of US \$ 100 or equivalent Pak. Rupees
 - (ii) Initial fee - LL License of US \$ 2,000/- or equivalent Pak. Rupees per Region applied for TR1 & TR2, and US\$ 1,000 or equivalent Pak Rupees for Region TR3.
 - (iii) Initial fee - LDI License of US \$ 20,000/- or equivalent Pak. Rupees, and

- (iv) Initial fee - Radio Frequency Spectrum, for a requested block in a Designated Band (as defined in section 48 below) in the amount identified in the relevant spectrum information sheet in Annex D.
- (d) Certificate of incorporation of the applicant and its memorandum and articles of association;
- (e) Names of the directors of the applicant, and relation of each director to other company or operator licensed by the Authority or any other applicant for a license;
- (f) Shareholders of the applicant, including details of each shareholder's equity ownership;
- (g) Names of each affiliate of a shareholder of the applicant, where the affiliate is an operator or an applicant for a license, and description of the relation to the applicant;
- (h) Copies of National Identity Card (for Azad Jammu and Kashmir and Pakistani national) / Passport (foreign nationals) and other antecedents of the Directors and authorized representative of the company.
- (i) Provide undertaking for the following:
 - (i) That the Company or its Directors have never been declared insolvent by a court of law. (ii) That the Directors of the company have never been convicted by a court of law for major offences or unethical/immoral turpitude (other than minor offences).
 - (iii) That neither the applicant Company nor its group/consortium members are defaulter (s) with reference to other PTA licenses /transactions,
- (j) Applicant' s National Income tax number;
- (k) Certificate on original letterhead from the Group/Joint venture/Consortium members that they are the participants for LL/LDI license in Azad Jammu & Kashmir and Northern Areas through the applicant company.
- (l) Certificate of good standing with the fiscal administration; (m) Resolution of the Board of Directors of the Applicant authorizing the individual who submits and signs the Application. (See Annex. B);

- (n) Special Power of Attorney by the Applicant authorizing the individual who submits and signs the Application. (See Annex. B);
- (o) A brief description of the following:
 - (i) Telecommunication experience of the Applicant, its key management personnel and its shareholders.
 - (ii) Business plan for the initial five years of operations, indicating areas to be served, services to be offered, projected revenues, operating expenses and capital requirements.
 - (iii) Committed financial resources including a list of all sources and amounts of equity and debt financing required to finance the business plan in the first 5 years of operation. Capital must show at least a 20% equity component.
 - (iv) Technical plan, including proposed network map and architecture.
- (q) The Applicant must specify which radio frequency spectrum it requests, by frequency band, block and region. If the applicant requests radio frequency spectrum in the designated bands (as defined below), the applicant must provide an expected rollout scenario projected at 24 months following the effective date, including
 - (i) a map showing the expected service contour for the licensee's service using the requested radio frequency spectrum, and
 - (ii) the number and approximate locations of radio base stations to be deployed in serving the service contour.
- (r) If an applicant for a LL License requests blocks in alternative radio bands in a Region, the applicant must provide the information described in (q) (i) & (ii) above for each such block that is applied for. This information can be provided for a preferred block, with an explanation of the differences if an alternative block is employed by the Applicant.

(s) Affidavit of the person granted the power of attorney by the Applicant.

Eligibility Criteria

- 38.1 The following are the eligibility requirements for a License:
- 38.2 The applicant shall be an incorporated or registered company in Azad Jammu & Kashmir and/or NAS in accordance with respective companies laws.

Area	Address	Phone Number
AJK	Registrar companies in Muzaffarabad/Deputy Registrar Companies in Mirpur	058610-42104
NA	Secretary Planning & Development/Joint Registrar Companies Northern Areas Gilgit	05811-50214

- 38.3 The applicant submits all the documents included in the checklist in Annex A.
- 38.4 The applicant submits all required initial fees to the Authority by the applicable deadlines referred to in this Information Memorandum.
- 38.5 The applicant satisfies the Authority that:
 - (a) Its technical plan and business plan are feasible;
 - (b) It has adequate financial resources to implement the business plan;
 - (c) The applicant's key management personnel demonstrate the minimum degree of experience necessary to be able to undertake the business plan.

39. Grounds for Disqualification

- 39.1 The Authority shall disqualify applications and return the applications for any of the reasons set out below:
 - Failure to submit a complete application in accordance with this information Memorandum.
 - (a) Failure to satisfy the eligibility requirements in section 38.
 - (b) Failure to comply with any of the procedures or other requirements established by this Information Memorandum.
 - (c) Inaccuracy or misrepresentation of any facts in any part of the application.
 - (d) Illegal conduct in the application process or improper attempts to influence the evaluation of applications.
 - (e) Pro forma financial statements (5 year) show capital structure with less than 20% equity component at any time.
 - (f) The Applicant or any shareholder is in default of any payment due to the Authority or the Board.

- (h) The Authority is of the opinion that granting the application will lead to a threat or potential threat to national security.

40. Subsequent Disqualification

If evidence of any corrupt practice of fraudulent practice, as defined above, is disclosed after the License has been granted, the Authority may revoke the License without compensation. The provisions of this section are in addition to any criminal or civil legal action, which may be available to or taken by the Governments of Azad Jammu & Kashmir, Administration of Northern Areas or Pakistan or the Authority.

41. Submission of Applications

41.1 The applicant shall submit one original and two copies of the complete application package to the Authority at the address of correspondence indicated in section 3 of this Information Memorandum before the deadline for the submission of applications. The original package and the copies shall be clearly marked "original application" and "2nd" , "3rd" copies, as applicable. In the event of discrepancy between two copies, the original shall prevail. Each application package shall be clearly marked as follows:

- (a) Application for LL or LDI License (as the case may be)
- (b) Name of applicant
- (c) Local contact name, telephone, fax and email.

41.2 The three copies of the application shall be packaged together in a single box or other container. The container shall be sealed; that is securely packed and closed, so that it is not possible to open it without visual evidence thereof.

41.3 Upon receipt, the Authority will provide a written receipt confirming the delivery of each application received.

42. Communications

42.1 All deliveries, notices or other communications made to applicants in connection with the application process shall be sent by fax, email or personal delivery to the registered office of the applicable applicant, as specified by the applicant to the Authority in the application.

42.2 All deliveries, notices or other communications made by applicants to the Authority in connection with the application process shall be sent by fax, email or personal delivery to the Authority's address for correspondence specified in section 3.1 above.

42.3 Applicants are expected to carefully examine all instructions, forms and annexes in this Information Memorandum. Failure to furnish all information specified in this Information Memorandum or the submission of an application, which does not comply with the requirements outlined in this Memorandum, may result in disqualification of the application.

43. Confidentiality of Applications

43.1 The Authority shall treat all applications received in relation to this Information Memorandum as confidential during the period before the award of license, except that the Authority may disclose requested radio frequency spectrum assignments to other applicants if, and at such time as, the Authority requests.

43.2 After the license has been awarded, the Authority may decide to place some or all of the Applications that the Authority has on file in relation to this Information Memorandum on the public record. However, prior to placing an application on the public record, the Authority will notify the Applicant that submitted the application that the Authority plans to place such application on the public record. The applicant will then have an opportunity to request that commercially sensitive or proprietary information in its Application be treated as confidential. The Authority will advise the applicant of the procedure for claiming confidentiality over any such information.

43.3 Neither the Authority nor any of its agencies, employees, representatives, advisors or consultants shall be liable in any respect whatsoever to any applicant or any of its members or representatives for damages or harm resulting from a failure to maintain such confidentiality.

43.4 The confidentiality of information mentioned under section 43 shall be subject to Law.

44. Cost of Application

The applicant shall bear all costs associated with the preparation and submission of its application and the Authority will in no case be responsible for these costs, regardless of the conduct or outcome of the application process.

45. Modification of the Conditions of the Licenses

45.1 The Authority in its discretion may modify the conditions of the Licenses as set out in the Draft Licenses in Annexes E and F of this Information Memorandum before issuance of the License.

46. Reservation of Rights

46.1 The Authority reserves the right, in its sole discretion, to take any action, including amendment of this Information Memorandum, which it considers necessary to ensure that the application process occurs in a fair, open and transparent manner, in accordance with law and so as to meet the objectives of the Governments of Azad Jammu & Kashmir and Pakistan and administration of Northern Areas.

46.2 The Authority further reserves the right to modify or terminate the application process at any time in its sole discretion.

46.3 Neither the Governments of Azad Jammu & Kashmir and Pakistan nor the Administration of Northern Areas or any of their Ministries, agencies, employees, representatives, advisors or consultants, including the Authority, shall incur any liability whatsoever to any applicant or licensee or any of their respective shareholders or any other person by reason of any representation given in this Information Memorandum or otherwise, or any decision made or action taken by the Authority, its employees, consultants or advisors, in connection with the evaluation or disqualification of an Application or the carrying out (or termination) of the application process initiated by or through this Information Memorandum.

47. Legal and Formal Requirements

47.1 Governing Law - This Information Memorandum and any License issued pursuant to the process announced herein shall be exclusively subject to, and interpreted in accordance with, the Laws of Pakistan, Azad Jammu & Kashmir and Northern areas.

- 47.2 The License Applications, the accompanying documents, and all correspondence relating to the process announced in this Information Memorandum shall be submitted in the English language.

Part VIII -Bidding Procedure for Assignment of Spectrum

48. Assignment of Radio Frequency Spectrum

- 48.1 At the time of issuance of this Information Memorandum 450, 1900 and 3500 MHz radio frequency spectrum bands are available to prospective licensees.
- 48.2 The bands at 450, 1900 and 3500 MHz are expected to generate significant demand by Applicants for LL Licenses. These bands are referred to as the "Designated Bands". Annex D contains spectrum information sheets that include information on each of the Designated Bands, and the specific conditions that will apply to the assignment of radio frequency spectrum in these bands. An applicant that wishes to apply for spectrum in the Designated Bands must complete and include a Radio Frequency Spectrum Request Form, in the form of Annex G, with its Application.
- 48.3 An applicant may apply for one block in one or more Designated Bands in each Region. If an applicant applies for a block in more than one designated band, the applicant must submit business plan, financial plan and technical plan information and rollout information in respect of each such band. The applicant must also indicate the bands it is applying for, and the order of preference, by completing a Radio Frequency Spectrum request form at Annex G, and enclose it with its application. An applicant, and its affiliates, will not be awarded more than one block in one designated band in each region.
- 48.4 At such time as the applicant fully utilizes the capacity of the block assigned to it, the applicant may apply for the assignment of additional radio frequency spectrum in the relevant region, in accordance with the policy at that time.

- 48.5 If the Authority considers appropriate and determines that the demand for one or more blocks exceeds supply, the relevant radio frequency spectrum blocks will be assigned by a transparent, nondiscriminatory, open and competitive process.
- 48.6 The process to be employed by the Authority to assign spectrum blocks in the Designated Bands where demand exceeds supply will be an open out cry auction. However, the Authority reserves the right to adopt a different auction process or other transparent, non discriminatory, open and competitive process if the Authority considers it appropriate in the circumstances. The Authority shall notify in advance of the procedure to be employed in auctioning such blocks.
- 48.7 The Authority shall initiate the process of conducting auction by sending a written notice to the applicants that are eligible to participate in the auction. An applicant will be eligible to participate in the auction of a block in a designated band in a region if the applicant has indicated on its submitted Radio Frequency Spectrum request form that it is interested in being awarded a block in that designated band in that region. The notice shall provide the following information to eligible applicants:
- (a) Notice that the application is provisionally accepted for a license in the named Region,
 - (b) Identification of the band, blocks and regions in which the radio frequency spectrum is to be auctioned,
 - (c) The number of eligible applicant for the auction of the identified blocks and Regions,
 - (d) The time, date and venue for the auction, and
 - (e) Such procedural information and instructions as the Authority considers appropriate to ensure that the auction proceeds promptly and in a transparent, nondiscriminatory, open and competitive manner.
- 48.8 Bidding shall take place region by region.

- 48.9 The bidding shall start at the level above that of the Initial Fee-Spectrum. The bidding shall proceed in increments determined by the Authority and announced prior to the commencement of the open out cry auction.
- 48.10 The Authority shall maintain a list of bid amounts and respective bidders.
- 48.11 The bidder that submits the highest bid will be declared the successful bidder for the block. The remaining bidders, in descending order of their bids, shall be offered the available blocks at the highest bid price.
- 48.12 The successful bidder for a block must pay the full amount of the bid within ten (10) working days from the date of declaring the winning bidder. If a bidder fails to pay the full amount of the bid within the required time, that bidder will be deemed to have abandoned the bid and shall be disqualified as the successful bidder for the block.
- 48.13 If a bidder abandons the bid for the block, the bidder will forfeit all amounts previously paid to the Authority for the block and for LL License(s). The Authority shall then declare the next highest bidder to be the successful bidder for the block, at the highest price that bidder was prepared to bid in the auction, provided the highest bid does not exceed the second highest bid by more than 20%. The Authority shall promptly notify the bidder in writing of the Authority's declaration. The Authority shall re-auction that block if the first highest bid exceeds the second highest bid by more than 20%. The successful bidder for the block must pay the full amount of the bid within ten (10) working days of receiving the Authority's notice. If the bidder fails to pay the full amount of the bid within the required time, that bidder will be deemed to have abandoned the bid and shall be disqualified as the successful bidder for the block. The provisions of this section 48.14 shall apply to the bidder that bid the next highest amount.
- 48.14 The successful bidder shall directly credit the bid amount in the designated bank account of the Authority, under intimation to the Authority, through normal banking channels within the specified time limit.
- 48.15 Where an applicant for a LL License is an unsuccessful bidder for a block in a designated band in a region, the Authority shall offer the applicant the option of either being granted a LL License for that region without the requested radio frequency

spectrum block, or withdrawing the application for that LL license. The applicant shall respond within thirty (30) working days, failing which the applicant shall be deemed to have withdrawn the application for the LL license for that Region. If an Applicant withdraws, or is deemed to have withdrawn, the LL license, the Authority shall return the Initial Fees- License and Initial Fees- Spectrum previously paid by the applicant in connection with that Application for LL license for that region within thirty (30) working days from such notice from the unsuccessful applicant

48.16 Where an applicant has applied for a block in more than one designated band in a region, and is the successful applicant for one block in a designated band in the region, the Authority shall return to the applicant, within thirty (30) working days from the notice received from the applicant, its Initial Fee - Spectrum in respect of the non awarded blocks in other designated bands in the region that the applicant had applied for.

48.17 For a period of 30 days following the announcement by the Authority of the award by the Authority of the blocks in the designated bands, applicants will be permitted to rationalize their spectrum holdings by transferring blocks in the designated bands among themselves. Such exchanges shall comply with the following:

- a) Each block transfer is subject to the prior approval of the Authority.
- b) The compensation paid by a transferee of a block to a transferor shall not be greater than the compensation that the transferor paid to the Authority for the block
- c) An applicant for a LL license, and its Affiliates, shall not be awarded more than one block in one designated bands in a region.

48.19 The currency for bidding shall be Pak rupees.

Annexes

A. Checklist

B. Application

- 1) Transmittal Letter-LL License
- 2) Transmittal Letter- LDI License
- 3) Board Resolution
- 4) Power of Attorney
- 5) Affidavit

C. Telecommunication Regions

D. Radio Frequency Spectrum Information

- 1) 450MHz
- 2) 1900MHz
- 3) 3.5GHz

E. LL license

F. LDI License

G. Radio Frequency Spectrum Request Form

H. Licensing Regime approved by Azad Jammu and Kashmir Council and Administration of Northern Areas for the Telecommunications Sector of Azad Jammu & Kashmir and Northern Areas.

I. Procedure for forfeiture of fees.