



PAKISTAN TELECOMMUNICATION AUTHORITY
HEADQUARTERS, F-5/I, ISLAMABAD
Ph: 051-9225328 Fax: 051-9925338

**Enforcement order under sub-section 3 of section 23 of the Pakistan
Telecommunication (Re-organization) Act, 1996**

File No. PTA/Finance/EIS/AMZ/766/2006

Date of Show Cause Notice: 23rd February, 2010
Date of Hearing: 13th May, 2010
Venue of Hearing: PTA HQs, Islamabad

The Authority Present:

S. Nasrul Karim A. Ghaznavi: Member (Finance)

Dr. Khawar Siddique Khokhar: Member (Technical)

The Issue:

"Non-payment of annual license fee and non-submission of annual audited accounts"

Decision of the Authority

1. BRIEF FACTS:

1.1 Through this enforcement order the Authority intends to dispose of the Show Cause Notice dated 23rd February, 2010 ("**the Show Cause Notice**") issued to AMZ Technologies (Pvt.) Limited ("**the Licensee**") under section 23 of the Pakistan Telecommunication (Re-organization) Act, 1996 ("**the Act**") on the issue of non-payment of Annual License Fee of Rs. 231,495/-for the years ended 30th June, 2006 and 2007 with late payment charges of Rs. 136,239/- till February 2010 and non- submission of annual audited accounts alongwith Annual License Fee for the year ended 30th June, 2008 and 2009 as well as late payment charges calculated @ 2% per month and accruing till date of actual payment.

1.2 The Licensee has failed to submit Annual Audited Accounts and to make the payment of Annual License Fee for the aforementioned period, despite repeated demand of the Authority in contravention of the provisions of the Act, rules, regulations and the terms and conditions of its license. Hence, the Show Cause Notice under section 23 of the Act was issued to the Licensee on 23rd February, 2010.

1.3 The Licensee replied to the Show Cause Notice vide letter dated 21st March, 2010 ("**the Licensee's Reply**") which is reproduced as under:

We would like to refer your letter PTA/Finance/EIS/AMZ/766/2006/867 dated February 22, 2010.

We would like to bring in your kind notice that we have already paid Annual License Fee for the year 2005-2006 and 2006-2007 of Rs. 275,169 and Rs. 389,044 through demand draft Nos. 754328 dated 31/10/2006 and 0918606 dated 12/01/2008 respectively.

The value of Annual Fee was calculated on the basis of revenue generated in the year 2005-2006 and 2006-2007 from the provisions of Data Communication Services provided by the company to its customers. Whereas the finance department of Pakistan Telecommunication has clubbed the value of whole revenue of Data Communication Services and Internet Services as per the Audited Accounts for the year ended June 30, 2006 & June 30, 2007 without considering the value of Equipment Sale and Equipment rental earned during 2005-2006 & 2006-2007 which are included in the revenue of Data Communication Services and Internet Services. Following is the breakup:

<i>Description of Revenue</i>	<i>2005-2006 Rupees</i>	<i>2006-2007 Rupees</i>
<i>Data Communications Services</i>		
<i>Internet Services</i>	<i>41,668,085</i>	<i>58,945,985</i>
	<i>9,561,651</i>	<i>20,246,938</i>
	<i>51,229,736</i>	<i>79,192,923</i>
<i>Less: Revenue of Equipment Sale and Rental (18,280,948)</i>		<i>(36,563,915)</i>
<i>Revenue of Data Communication network</i>	<i>35,948,788</i>	<i>42,629,008</i>
<i>Applicable rate for Annual Fee</i>	<i>0.66%</i>	<i>0.66%</i>
<i>Amount of Annual Fee</i>	<i>237,262</i>	<i>281,351</i>

In view of the above details, our company was required to pay Annual Fee of Rs. 237,262 and Rs. 281,351 for the year 2005-2006 and 2006-2007 respectively. Contrary, to this, our company has paid excess Annual fee of Rs. 37,907 and Rs.107,693 for the year 2005-2006 and 2006- 2007 respectively in consideration of adjustment in subsequent years.

Further to this, I would also like to bring in your kind notice that the letters related to demand notes mentioned in fourth paragraph of your letter are wrongly dated and even if we consider all letters for the year 2009 than still we had not received any of these.

The audits of two years ended June 30, 2008 and June 30, 2009 are in process simultaneously and will be completed by the end of April 2010. As sooner as we receive the Audited Accounts of both years, the same shall be provided to your office at the earliest.

2. THE HEARING:

2.1. However, prior to disposing of the aforesaid show cause notice, the licensee was given opportunity of personal hearing on 13th May, 2010. Mr. Shahid Jamal and Syed Khurram AH on behalf of the licensee attended the hearing on the said date. The representatives of the licensee reiterated the same facts as mentioned in its reply to the show cause notice (referred in Para 1.3 above).

2.2 During hearing the licensee in addition to the reply also submitted to make the payment subject to consent of chief executive officer of the company. The Authority keeping in view the assurance at the part of the representatives of the licensee to make the payment within time is inclined to accept the request and instructed to provide timeline for making the payment and submission of annual audited accounts.

2.3. The licensee vide its letter dated 14th May, 2010 informed that it will pay a sum of Rs.231,495/- as being annual license fee and Rs. 136,239/- as surcharge for the year 2006 and 2007 by 15th June, 2010. In addition, annual audited accounts for the years 2008 and 2009 will be provided on or before 15th June, 2010.

2. ORDER:

3.1. Keeping in view the foregoing, the Authority hereby decides to dispose of the aforesaid show cause notice in the following terms:

(i). the licensee is directed to pay the annual license fee Rs.231,495/- alongwith Rs. 136,239/-as late payment surcharge for the years 2006 and 2007 by 15th June, 2010.

(ii). the licensee is also directed to submit annual audited accounts for the years ended on 30th June, 2008 and 2009 by 15th June, 2010 and to pay annual license fee alongwith late payment charges (@2% per month or part thereof) for the said years by 30th June, 2010.

(iii). In case of failure of the licensee to deposit the Authority's dues and annual audited accounts as provided in Para 3.1 (i) & (ii) above, license No. DIR (C)/L/PTA/355/2001 dated 27th March, 2001, of the company shall stand SUSPENDED without further notice and recovery proceedings under section 30 of the Act shall be initiated by the Authority against the company for recovery of all payable dues as arrear of land revenue. While in case of payment as per 3.1 (i) & (ii) above, the license shall be restored.

S.Nasrul Karim A. Ghazanvi
Member (Finance)

Dr. Mohammed Yaseen
Member (Technical)

Signed on this 7th day of June, 2010 and comprises of 03 pages.