



**PAKISTAN TELECOMMUNICATION AUTHORITY**  
**HEADQUARTERS, F-5/1, ISLAMABAD**  
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**Enforcement order under sub-section 3 of section 23 of the Pakistan Telecommunication (Re-organization) Act, 1996 against M/s. Callmate Telips Telecom Limited**

Date of Issuance of Show Cause Notice: 15<sup>th</sup> May, 2006,  
19<sup>th</sup> February, 2008

Date of Hearing: 18<sup>th</sup> July, 2006,  
25<sup>th</sup> February, 2008,  
27<sup>th</sup> March, 2008

Venue of Hearing: PTA HQs, Islamabad

**The Authority present:**

S. Nasrul Karim Ghaznavi: Member  
Dr. Muhammad Yaseen: Member

**The Issue:**

“Non payment of the Authority’s annual license fees”

**DECISION OF THE AUTHORITY**

**BRIEF FACTS:**

M/s. Callmate Telips Telecom Limited (the “licensee”) is a public limited Company incorporated under the Companies Ordinance, 1984 and is engaged in the business of provision of telecommunication services pursuant to the non-exclusive license No. LDI-01(05)-2004 dated 12<sup>th</sup> July, 2004 (the “license”) issued by the Pakistan Telecommunication Authority (the “Authority”) to establish, maintain and operate telecommunication system and to provide telecom services in Pakistan on the terms & conditions contained in the license. The licensee is required to comply with the provisions of prevailing regulatory laws comprising the Pakistan Telecommunication (Re-organization) Act, 1996 (the “Act”), the Pakistan Telecommunication Rules, 2000 (the “Rules”), the Pakistan Telecommunication Authority (Functions & Powers) Regulations, 2006 (the “Regulations”) and the terms and conditions of the license.

2. Briefly stated facts of the case are that the licensee, i.e., M/s. Callmate Telips Telecom Limited, defaulted in payment of the Authority’s dues on account of annual license fee for the year ended on 30<sup>th</sup> June, 2005 amounting to Rs.17,481,399/-. In this regard the Authority made various requests to the licensee but in vain. Hence, a Show Cause Notice (the “1<sup>st</sup> notice”) dated

15<sup>th</sup> May, 2006 under section 23 of the Act was issued to it. The licensee submitted its reply to the 1<sup>st</sup> notice vide its letter dated 14<sup>th</sup> June, 2006 whereby denied the allegations and alleged that it had not contravened any provision of the Act, the Rules, the Regulations and the terms and conditions of the license.

3. Therefore, a hearing was convened on 18<sup>th</sup> July, 2006 at PTA HQs. Mr. Muhammad Aamir Financial Controller and Mr. Muhammad Aslam Hayat Advocate, appeared on behalf of the licensee. During the hearing the licensee submitted that the licensee, i.e., M/s. Callmate Telips Telecom Limited, formed out as a result of merger of M/s. Telefon International Project Service (Pvt) Ltd and M/s. Call Tel (pvt) Ltd vide High Court orders dated 18<sup>th</sup> November, 2003 and which was duly approved by the Authority vide its determination dated 24<sup>th</sup> June, 2004. The licensee further informed that M/s. Call Tel (Pvt) Ltd had entered into O&M agreement with PTCL for prepaid calling card service in April, 1999. This agreement was not a license from the Authority, therefore, no liability accrued on the licensee regarding payment of any fee, royalty or charges to the Authority for the services provided under this agreement rather PTCL may be liable to pay fee, royalty or charges to the Authority on its revenues, which includes the revenues of the licensee. Secondly, the licensee was granted LDI license and under the conditions of the license it was required to pay US contribution @1.5%, R&D Fund Contribution @1.0% and annual Regulatory fee @0.5%. In this regard the licensee raised two questions (i) whether taxes are included in its revenue for the purposes of calculating fees? (ii) Whether O&M Contractor is liable to pay regulatory fee? Moreover, the licensee also informed that it had already paid Rs.1,443,048/- on 11<sup>th</sup> November, 2005 under CPPS license whereas Rs.14,415,444/- vide its letter dated 24<sup>th</sup> October, 2005 under LDI license.

4. The licensee further stated that it started its LDI operations in December, 2004 and prior to this period entire traffic and revenue of the licensee were under O&M agreement and not as an LDI licensee. If the Authority has any claim regarding traffic or revenues pertaining to this period, then it should claim from PTCL and not from the licensee. The licensee also clarified that claim of the Authority from short code 1018 is against PTCL whereas 1257 is against the licensee being LDI. Any revenues earned by the licensee from any other business, other than licensed services under LDI license, do not attract annual license fee.

5. The licensee further took the stance that it had already submitted vide its letter dated 4<sup>th</sup> May, 2005 that while calculating royalty erroneously all duties and taxes were not deducted from its revenues, which resulted in excess payment of Rs.1,898,733/- to the Authority during previous years, therefore, the licensee, while making the payment of annual license fee for the year 2004-2005, had adjusted the already paid amount and deposited the rest of the amount of Rs.1,443,048/- to the Authority. The licensee also narrated the definition of 'revenue' as provided in 'Wikipedia' and read the provisions from the license, policy, regulations and the Act regarding the provisions relating to payable license/regulatory fees. The licensee finally concluded that taxes and duties are not included in the revenue and O&M contractor is not liable to pay regulatory fee. Keeping in view the controversies involved in the issue, the Authority before issuing formal determination/decision in the matter instructed the licensee to reconcile the payable dues with Finance Division of PTA and make the undisputed payments accordingly.

6. Pursuant to the decision taken in the hearing the licensee was given ample opportunity to provide auditors' certificates for line rent and taxes so that the disputing issues could be resolved but the licensee failed to provide the same on one pretext or the other. In this regard meetings were arranged with the licensee on 29<sup>th</sup> August, 2006 and 20<sup>th</sup> September, 2006 which were duly attended by the licensee and it also committed to provide the required information. Various letters dated 11<sup>th</sup> October, 2006, 30<sup>th</sup> October, 2006 and 15<sup>th</sup> November, 2006 were also sent to the licensee and telephonic calls dated 27<sup>th</sup> September, 2006 and 4<sup>th</sup> October, 2006 were made but the licensee failed to honour its commitments, hence, failed to provide the required evidences in support of its claim.

7. As the licensee persistently failed to comply with the repeated directions of the Authority regarding payment of annual license alongwith other regulatory fees and submission of annual audited accounts. Consequently the payable dues continued to pile up which arrived in the amount of Rs.111,630,138 by January, 2008, hence, another Show Cause Notice dated 19<sup>th</sup> February, 2008 (the "2<sup>nd</sup> notice") was issued to the licensee requiring the licensee to remedy the contravention by making payment of Rs.111,630,138/- within seven days and to submit reply to the 2<sup>nd</sup> notice in writing within thirty (30) days. The licensee neither made the payments nor replied to the 2<sup>nd</sup> notice within statutory period of thirty (30) days.

8. Therefore, the Authority prior to issuing any enforcement order in the matter again fixed the case for hearing on 25<sup>th</sup> February, 2008 which was duly communicated to the licensee vide our letter dated 14<sup>th</sup> February, 2008. On the said date Mr. Shujaat Qarni, the new chairman/Executive Director of the licensee, appeared on behalf of the licensee. He informed the Authority that previous management of the company has resigned and we, the new management of the company, has taken charge of the company in August, 2007, when PTCL had already disconnected its lines due to nonpayment. He informed that at present the licensee had no money to make the payments of the Authority and of PTCL. The Authority asked the licensee whether it is in operation and its system is running, the licensee replied that it is operational in some areas and it has also enrolled technical staff to protect the system and that it is ready to make the payments to PTA but it seeks help from the Authority for extension of time up to six months. Within six months it will start generating revenues and also will start making payments of the Authority's dues.

9. Therefore, after hearing the arguments of the licensee, the Authority directed the licensee to submit annual audited accounts and other information within one week so that its payable dues could be reconciled and determined. The licensee was further directed to submit detailed business plan within two weeks, which shall exhibit the competency of the licensee to start making payments within six months alongwith undertaking/statement to that effect as well so that decision could be taken keeping in view the business plan and the undertaking/statement submitted by the licensee. The licensee failed to provide the required documents and the business plan alongwith its undertaking/statement as well as evidence in support of its alleged fact that it has entered into agreements with four banks for arranging finances, which will enable it to discharge its liabilities towards the Authority.

10. As the licensee failed to provide the required documents as mentioned in Para 9 above, and also failed to submit written reply to the 2<sup>nd</sup> notice, therefore, a final hearing in the matter

was convened on 27<sup>th</sup> March, 2008. The representatives of the licensee namely Mr. Shujaat Qarni, new Chairman/Executive Director and Mr. Arshad Fawad, Consultant, appeared before the Authority. The new chairman of the licensee was also asked if the new management of the licensee had got prior approval of the Authority under rule 11, regulation 21 and terms and condition of the license for change in management/directorship. He replied in negative. He requested the Authority to recognize him as legal representative of the licensee and also requested for grant of required approval for change in management of the licensee. The Authority, after hearing his verbal arguments, and keeping in view that the new management had taken control of the licensee and previous management had already resigned, accepted the verbal request of the new chairman for change in management and allowed him to proceed in the matter to defend the charges.

11. The representative of the licensee was asked to defend the 2<sup>nd</sup> notice and also to respond why it failed to comply with the direction given by the Authority during last hearing. Regarding the first part of the query it reiterated the same facts as mentioned in Para 8 above. However, regarding second part of the query, it replied that it is in the process of collecting the information from the banks involved in the deal for preparing its financial and business plan and also contacting the SECP for the required documents, and committed that the time it will be completed the same will be forwarded to the Authority. The licensee also informed about its negotiations with banks including Orix Bank and with Defence Housing Authority and stated that it had reached an agreement with MyBank Limited. In addition, it informed that it has two commercial plots at Karachi and Lahore, having charge of banks, which it is planning to develop with the financial help of the banks and it also had contacted the renowned architects, i.e., Fazali & Aaj Vision for that purpose. The licensee further committed that it will start making payments even before the expiry of six months already committed by it before the Authority. Regarding another query whether it is technically competent to run its operations?, the license replied that it has retained its technical staff for LDI services and also has been contacting with PTCL for negotiations so that its lines could be restored. The total payable dues of the licensee were reconciled/calculated on the basis of the licensee's annual published accounts provided by the licensee for the year 2005 to 2007 which arrived at Rs.132,996,701/-. However, this amount does not include the payable dues on account of APC for USF, which is pending before the Authority, and for which separate determination will be issued by the Authority. Detail of the calculation is given below:

**CALLMATE TELIPS TELECOM LTD**

Dues till March 2008

<b>2005</b>		
CPPS 2005 (Late payment Charges)	210,658	
LDI 2005	14,509,050	
Late payment Charges 2005	2,490,614	<b>17,210,322</b>
<b>2006</b>		
Annual License Fee 2006	8,909,115	

R & D 2006	17,818,230	
USF 2006	26,727,345	
Late payment Charges on ALF 2006 (17 months)	3,565,797	
Late payment Charges on R & D 2006 (17 months)	7,131,594	
Late payment Charges on USF 2006 (17 months)	10,697,390	<b>74,849,471</b>
<b>2007</b>		
Annual License Fee 2007	4,858,345	
R & D 2007	9,716,690	
USF 2007	14,575,035	
Late payment Charges on ALF 2007 (5 months)	505,660	
Late payment Charges on R & D 2007 (5 months)	1,011,321	
Late payment Charges on USF 2007 (5 months)	1,516,981	<b>32,184,033</b>
<b>Total</b>		<b>124,243,826</b>
Numbering		45,000
<b>Total Payable</b>		<b><u>124,288,826</u></b>

<b>Outstanding Amount</b>		<b>124,288,826</b>
<b>Technical Facility (Grey Traffic)</b>	<b>\$ 139,326</b>	<b>8,707,875</b>
<b>Total Payable</b>		<b>132,996,701</b>

## 12. ORDER

12.1. Keeping in view the foregoing facts, the Authority hereby dispose of the 1<sup>st</sup> notice and the 2<sup>nd</sup> notice by passing the following enforcement order:

- (a). As the new management of the licensee has taken control of the licensee and is also representing it before the Authority, therefore, the request of the licensee for change in management is approved and the licensee is directed to provide the requisite documents, i.e., form 29, resignation of previous directors, board resolution for such change, undertaking of new directors that no civil or criminal proceedings or inquiries are pending before any court/tribunal or government department and that the director(s) is not defaulter of any bank, and any MOU signed between previous and new management; the licensee shall also provide the copy of the decree passed by High Court at Karachi in case of My Bank Limited vs. M/s. Callmate Telips Telecom Limited.
- (b). The licensee, M/s. Callmate Telips Telecom Limited, is directed to submit its comprehensive business plan covering its financial health within thirty (30) days of this order, i.e., by 27<sup>th</sup> April, 2008; and its technical plan within forty-five (45) days of this order, i.e., 12<sup>th</sup> May, 2008;

- (c). The licensee is directed to make the payments of 50% of its total payable dues Rs.132,996,701/- within six (06) months of this order, i.e., on or before 27<sup>th</sup> September, 2008 and to submit fresh undertaking on stamp paper that it will make the balance 50% amount within next six (06) months, i.e., on or before 27<sup>th</sup> March, 2009.
- (d). In case of the licensee's failure to comply with the above directions, its license No. LDI-01 (05)-2004 dated 12<sup>th</sup> July, 2004 for provision of LDI services shall stand SUSPENDED w.e.f. 27<sup>th</sup> September, 2008 for initial period of one month or till making payment of the total dues alongwith submission of aforesaid documents, whichever is earlier, and the license shall be restored if the payments are made and required documents are submitted within the period of suspension;
- (e). However, if the licensee/Callmate Telips Telecom Limited, failed to clear its total outstanding financial liabilities alongwith submission of aforesaid documents during the period of suspension, i.e., by 27 October, 2008, the aforesaid license shall stand TERMINATED on 28<sup>th</sup> October, 2008 and recovery proceedings under section 30 of the Act shall be initiated against the licensee for recovery of dues as arrears of land revenue.

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(S. Nasrul Karim Ghaznavi)  
Member (Finance)

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(Dr. Muhammad Yaseen)  
Member (Technical)

Signed on\_3<sup>rd</sup> April, 2008 and comprises 06 pages.