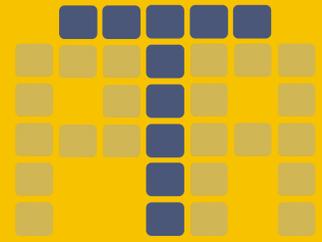


07 ANNUAL REPORT



International Relations



Rural Telephony



Basic Telephony

Telecom Growth

Cellular Mobile

Telecom Economy

Enforcement

Wireless Local Loop

Broad Band

Foreign Direct Investment

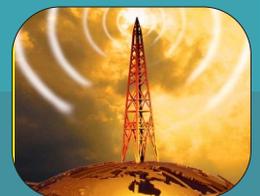
Long Distance & International

Broad Band

Card Payphones

Value Added Services

Revenues



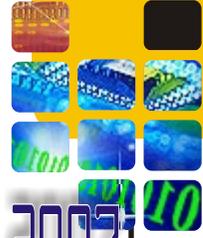
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Published by

Pakistan Telecommunication Authority
Headquarters, F-5/1,
Islamabad, Pakistan
E-mail : arif@pta.gov.pk
Website : www.pta.gov.pk

Cataloging-in-Publication Data

Pakistan Telecommunication Authority
PTA Annual Report 2006-07
ISBN: 978-969-8667-47-4
1. Pakistan Telecommunication Authority - Annual Report 2006-07
I. Title

International Standards Book Number: 978-969-8667-47-4



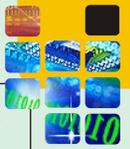
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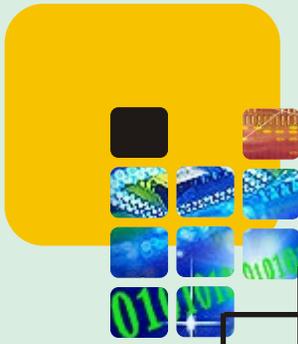
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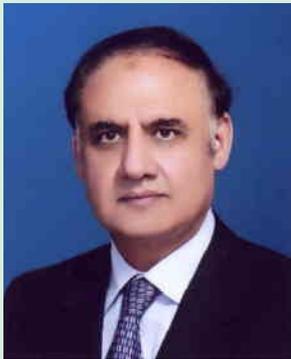
Acronyms

3G	3rd Generation	MediaFLO	Media Forward Link Only
ADSL	Asymmetric Digital Subscriber Line	MHz	Mega Hertz
AJK	Azad Jamu & Kashmir	MIC	Millicom International Cellular
ALF	Annual License Fee	MNP	Mobile Number portability
AMPS	Analogue Mobile Phone System	MoIT	Ministry of Information Technology
APC	Access Promotion Contribution	MoU	Memorandum of Understanding
APT	Asia Pacific Telecommunity	MPLS	Multi-Protocol Label Switching
ARPU	Average Gross Revenue Per User	MVNO	Mobile Virtual Network Operators
ASP	Active Server Pages	NGN	Next Generation Networks
BOP	Bottom of Pyramid	NOCs	Non Objection Certificates
BTRC	Bangladesh Telecommunication Regulatory Commission	NTC	National Telecommunication Communication
CCK	Communication Commission of Kenya	OFAN	Optic Fiber Access Network
CDMA	Code Division Multiple Access	PC	Personal Computer
CED	Central Excise Duty	PCOs	Public Call Offices
CEOs	Chief Executive Officers	PMD	Pakistan MNP Database
CES	Consumer Electronics Show	PP	Plenipotentiary Conference
CMOs	Cellular Mobile Operators	PRS	Premium Rate Services
CMPak	China Mobile Pakistan	PSDN	Public Switch Data Network
CNIC	Computrized National Identity Card	PTA	Pakistan Telecommunication Authority
CoE	Centre of Excellence	PTCL	Pakistan Telecommunication Company Limited
CPP	Card Pay Phone	PTML	Pakistan Telecom Mobile Limited
CVALS	Class Value Added License Service	QoS	Quality of Service
DCNS	Data Communication Network Services	Qtel	Qatar Telecom
DSL	Digital Subscriber Line	RIO	Reference Interconnect Offer
DWDM	Dense Wavelet Division Multiplexing	RRB	Radio Regulatory Board
EDGE	Enhanced Data for GSM Evolution	SATRC	South Asian Telecommunication Regulators
EIS	Electronic Information System	SBO	Services-Based Operator
Eoi	Expression of Interest	SCO	Special Communication Organization
EVDO	Evolution Data Only	SDH	Synchronous Digital Hierarchy
FAB	Frequency Allocation Board	SMP	Significant Market Power
FAC	Fully Allocated Cost	SMS	Short Messaging Service
FDD	Frequency Division Duplexing	SOP	Standard Operating Procedure
FED	Federal Excise Duty	TAR	Total Accounting Rate
FNO	Foreign Network Operators	TDD	Time Division Duplexing
FTTH	Fiber to the Home	TIP	Telephone Industries of Pakistan
FTTX	Fiber to the x	UAE	United Arab Emirates
FWT	Fixed Wireless Terminal	UAN	Universal Access Number
GDP	Gross Domestic Product	UK	United Kingdom
GHz	Giga Hertz	UMTS	Universal Mobile Telecommunications System
GMDSS	Global Maritime Distress Safety System	UN	United Nations
GMPCS	Global Mobile Personal Communication Systems	USA	United States of America
GOP	Government of Pakistan	VAS	Value Added Services
GSM	Global System for Mobile Communications	VAT	Value Added Tax
GSMa	GSM (Groupe Spéciale Mobile) Association	VoIP	Voice over Internet Protocol
GST	General Sales Tax	WAP	Wireless Access Protocol
HSDPA	High Speed Data Packet Access	WCDMA	Wideband Code Division Multiple Access
IFIC	International Frequency Information Circular	WiMax	Worldwide Interoperability for Microwave Access
IP	Internet Protocol	WLL	Wireless Local Loop
ISP	Internet Service Provider	WRC	World Radio-communication Conference
IT	Information Technology		
IT & T	Information Technology & Telecommunication		
ITU	International Telecommunication Union		
Kbps	Kilo Bite Per Second		
LDI	Long Distance & International		
LL	Local Loop		
LRIC	Long Run Incremental Cost		

Authority



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Director Generals



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Director General (Wireline) Director General (Finance) Director General (ID) Director General (Coordination) Director General (Wireless) Director General (Law & Reg)

Chairman Note



It is with great pleasure that I present to you the Annual Report for the year 2006-07.

The report shares with you the hard work done by the Regulator for the development and growth of the telecom sector and the milestones that we have achieved over the preceding year. At the same time it also highlights the challenges still faced by the Regulator in view of the rapidly growing global telecom sector and the steps being taken by the Authority to successfully overcome them.

For this year also, we successfully maintained the growth patterns in all the domains of the sector where tele-density reached up to 45% and the mobile subscribers crossed 65 million mark. Country's rate of mobile sector growth is the fourth fastest in the world and the third fastest in the Asian region. Pakistan has been one of the first in the region to introduce Mobile Number Portability service in the country. Growth in telecom sector also bears a positive spillover effect for the general economic indicators of the country. This sector alone contributed Rs. 98 billion to the government exchequer with over US\$ 1.8 billion Foreign Domestic Investment brought into the sector.



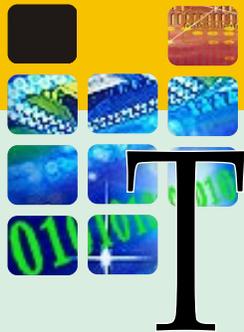
Besides China Mobile's entry in Pakistan a number of other foreign leading international telecom players i.e Singtel, Omantel and Qtel, have shown great interest in Pakistan's telecom sector. ITU has acknowledged our efforts and has chosen PTA for the establishment of its Centre of Excellence Node on Policy and Regulation at PTA.

As a regulator I want to assure that the Authority would continue with its endeavors to sustain a level playing field for all telecom investors. The Authority also reiterates its commitment to encourage healthy competition, ensuring quality of services with an aim to introduce cutting edge telecom related technologies in the country. We also stand by our goal of protecting consumer interests and directing the fruits of a thriving telecom industry to the people of Pakistan. At the end, I would like to appreciate our Economic Affairs Division team for preparing this report. Efforts of all PTA divisions are also acknowledged for providing support for this report.

Maj Gen. (R) Shahzada Alam Malik
Chairman,

Executive Summary





Telecom sector is growing at an astounding pace where all stakeholders including government are getting due benefit out of it. The impact of this growth on economy in particular and society in general is obvious in terms of productivity gains, revenue generation for government, employment creation and social cost savings. With total teledensity reaching 45%, Pakistan stands well above regional economies. The sector is currently contributing about 2% in GDP directly and indirect contribution in other sectors of the economy takes this share to about 5%. Total revenues of telecom sector in 2006-07 reached Rs. 236 billion whereas total investment was US\$ 4,108 million. The sector received above US\$ 1,824 million FDI, which becomes about 35% of total FDI in the country. It is worthwhile to mention that telecom companies have invested over US\$ 8 billion during the last four years in Pakistan particularly the mobile sector whose investment share accounts for 66%. During 2006-07 total revenue collected by the Government in the form of taxes and Regulatory fees was more than Rs. 100 billion, which is about 32% higher than the last year. As far as employment is concerned, it is estimated that about one million job opportunities have been created since the

liberalization of the sector in 2003. Government of Pakistan is contemplating offering incentives for manufacturing of cellular mobile handsets and other equipments in Pakistan where cheap labor and other inputs are available. These steps are taken due to the fact that in 2006-07 about 4.2% imports were for the telecom sector while this ratio was only 2.4% in 2003-04.

As a regulator, Authority continued its endeavors to maintain a level playing field for all telecom investors for healthy competition. Implementation of MNP is an example worth mentioning. Many initiatives that the Authority started over the last few years were completed and implemented successfully. PTA remained committed to help law and order in the country and successfully implemented IMEI based system for blocking the stolen mobile handsets. 96,258 cellular mobile handsets have been blocked all across the country. All operators have been warned to follow procedures while issuing SIM card and PTA is taking stringent measures against franchises that issue SIMs without proper procedures. In order to address the growing complexities arising from multi-operator environment, the Authority has also taken an initiative to introduce an efficient mechanism for inter-operator payments through Interconnect Clearing House. To protect the rights of the telecom consumers, PTA has drafted 'Telecom Consumer Protection Regulations, 2007'. To promote broadband services in Pakistan, bandwidth tariffs have been reduced significantly by PTA.

The settlement rates of Pakistan are regulated by the Authority periodically. A reduction was made in the settlement rates with effect from November 07, 2006 by bringing them down to a level of US Cents 7.5 per minute. PTA has prepared a schedule for migration from 7 to 8

digits. PTA has also announced the reduction in the Annual License Fee (ALF) of Card Pay Phone (CPP) Operators from 1.5% to only 0.1% of their revenues. The authority this year decided to acquire automated detection facility for elimination of grey telephony. Rural Telephony Project was also launched during the year under which 400 Rabta Ghar (Telecentres) are being established in rural areas. PTA resolved a number of disputes among different operators during the year, which include dispute between PTCL and LDI operators over outstanding interconnection payments of PTCL, and dispute between PTCL and Nayatel to lay the optical fiber cables.

In 2007, PTA established ITU Asia Pacific Center of Excellence (CoE) PTA Node for Policy & Regulations and conducted two training workshops for ITU members. In ITU elections of 2006, Pakistan won the Council seat acquiring 117 votes and Major General (Retd.) Shahzada Alam Malik, Chairman PTA got elected as Member Radio Regulatory Board.

Driven by the lowest tariffs, maximum coverage and even better quality, the Pakistan mobile market continued rapid expansion during 2007. The investment by all mobile operators reached US \$ 2.7 billion in 2007 and according to an estimate mobile sector alone has invested US\$ 6 billion in last four years. Total revenues of mobile industry hit Rs. 133 billion against annual growth of 48%. However, the Average Revenue Per User (ARPU) of the industry dropped to US\$ 3.2 in 2007. The sector paid approx. Rs. 66 billion in the form of taxes to the national exchequer during the reported year. There are currently 68 million mobile subscribers in the country with mobile penetration reaching 40%. Almost 2.3 million subscribers were adding to the subscriber base each month during 2007. There are currently more than 6,000 cities/towns/villages covered by mobile operators and 13,500 cell sites erected across the provinces. Today network coverage is almost reaching 90% of the total population of Pakistan.

The LDI segment witnessed blooming health during 2007 wherein telecom consumers enjoyed cheap international dialing. Out of 14 licensed LDI operators 13 have started their operations. Total investment in the LDI sector grew to US\$ 603 million in 2007. Whereas the revenues generated by the sector during this year crossed Rs. 15,275 million. Tariffs of LDI witnessed stability in terms of tariffs reduction. National and international long distance tariffs have been drastically reduced to Rs. 2.30 per minute. International and national traffic also increased where maximum traffic terminated in the country was from USA. The total reported outgoing minutes from Pakistan grew to 1,271 million in 2007.

In the local Loop segment 12 LL companies are operational out of 38 companies, that were licensed after deregulation, while rest of the companies are either non operational or at some stage of pre-operation. At the end of 2006-2007 total fixed line connections stood at 4.8 million across Pakistan. This also includes connections of new local loop operators. 2007 is the first year when the fixed teledensity dropped from 3.4% (2006) to 3.04% (2007) showing a drop of almost 10%. Out of 17 WLL licensed companies 5 (PTC, Worldcall, Telecard, Great Bear and Burraq) are fully operational whereas two companies (Wateen and Mytel) have been issued commencement of service certificates. There are 1.7 million subscribers of WLL services in Pakistan and wireless teledensity stands at 1.1%. The sector has witnessed 70% growth during 2006-07. There are a total of 225,980 wireless PCOs in Pakistan.

Pakistan's broadband market has remained sluggish in 2007 despite the fact that services have been available since almost five years. Currently there are 71,000 Broadband subscribers and 65 % of Pakistani broadband users enjoy DSL Broad Band technology. Major DSL operators in Pakistan are Micronet, Dancom, CyberNet, MultiNet and PTCL. Almost 70 companies are providing Internet service all across the country with total Internet subscribers having crossed 3.5 million and total users crossed 17 million marks in 2007. Currently, there are 144,023 PCOs working on fixed line networks of PTCL

Deregulation of telecommunication sector of AJK and NAs that was finalized in 2006-07 resulted in the award of licenses to both fixed and mobile operators. Today there are 912,227 mobile subscribers and 149,029 fixed lines and WLL connections in AJK and NAs. The teledensity is now 20.1%, which was only 3% in 2006. With deregulation of telecommunication in AJK their Telecom infrastructure will grow, teledensity will increase and general standard of living will improve.

PTA is fully abreast of the rapidly developing technological advancements at the global telecom scene. The aim of the Pakistani Regulator is to foresee the trends and be proactive in providing conducive environment for the operators in order to facilitate them introduce state of the art telecom facilities in the country.