

INFORMATION MEMORANDUM

LONG DISTANCE INTERNATIONAL (LDI)

&

**LOCAL LOOP (LL) FIXED LINE TELECOMMUNICATION
SERVICE LICENCES**

March 08, 2004

PAKISTAN TELECOMMUNICATION AUTHORITY

Information Memorandum for Applicants

for LL and LDI Licences

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- (2) 1.9 GHz
- (3) 479 MHz
- (4) 450 MHz

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Part I – Preamble

1. Introduction

- 1.1 Pakistan is opening its telecommunication sector to increase investment and competition. The Government's liberalization policy for the telecommunication sector is described in a document issued by the Ministry of Information Technology titled: "*De-Regulation Policy for the Telecommunication Sector*" (the "Policy"). A copy of the Policy is attached as Annex M. It is also available at the website of the Ministry of Information Technology: www.moitt.gov.pk.
- 1.2 The purpose of this document is to provide information to prospective Applicants for Licences to provide telecommunication services in the following two categories namely, local loop ("LL") telecommunication service, and long distance international ("LDI") telecommunication service, in Pakistan.
- 1.3 This Information Memorandum provides background information on the Pakistan 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 its powers under the Pakistan Telecommunication (Re-organization) Act 1996, the Pakistan Telecommunication Authority (the "Authority") will grant LL Licences and LDI Licences to all Applicants that meet the requirements outlined in Part VI, following the procedure described in Part VI 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.

2. Schedule of Events

- 2.1 Applicants may apply for Licences at any time. The Authority expects to process Applications promptly and, in most cases, to issue Licences within 30 days after receipt of Applications.
- 2.2 The Authority anticipates significant interest in the initial round of licensing. Accordingly, the Authority has established the following timetable for the initial round of licensing. Applications must reach at the address given below by or before 1200 Hrs Pakistan Standard Time on April 30, 2004. 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 Licences

<u>EVENT</u>	<u>CALENDAR DATE</u>
1. Advertisement for invitation of applications	February 25, 2004
2. Posting of Information Memorandum on PTA web site.	March 8, 2004
3. Deadline for receipt of written questions from potential investors on Information Memorandum	March 24, 2004
4. Investor's Conference	April 20, 2004
5. Deadline for receipt of Licence Applications	April 30, 2004
6. Expected Issuance of First Group of Licences	May 20, 2004
7. Expected Issuance of Second Group of Licences	June 03, 2004
8. Issuance of Third Group of Licences	June 24, 2004

- 2.3 If the scheduled day of an event falls on a public holiday in Pakistan, the day of the event will be the next calendar day following the holiday.
- 2.4 The Authority expects to issue the first round of Licences in three groups:
- (a) The first group of Licences will be issued to Applicants that do not require radio frequency spectrum.
 - (b) The second group of Licences will be issued to applicants that require frequency spectrum that can be readily assigned.
 - (c) The third group of Licences will be issued to Applicants that require radio frequency spectrum in bands where the demand is expected to exceed the available supply, or that is otherwise not readily available. Such spectrum shall be assigned through auction to be conducted during the first week of June 2004.

3. Address for Correspondence

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

Director General (Licensing)
Pakistan Telecommunication Authority
H/Qs F-5/1, Islamabad
Pakistan
Telephone: + 92 (51) 287 8141
Fax: + 92 (51) 287 8139
E-mail: dgmd2001@pta.gov.pk

OR

Director (Licensing)
Pakistan Telecommunication Authority
H/Qs F-5/1, Islamabad
Pakistan

Telephone: + 92 (51) 9225335

Fax: + 92 (51) 2878139

E-mail: arbab@pta.gov.pk

4. Definitions

4.1 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 Licences issued thereunder. In this Information Memorandum, unless the context otherwise requires, the following terms shall have the meanings indicated below:

“Act” means The Pakistan Telecommunication (Re-organization) Act, 1996.

“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.

“APC” means Access Promotion Contribution (see Section 14).

“Authority” means the Pakistan Telecommunication Authority.

“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 Licence is issued by the Authority.

“Board” means the Frequency Allocation Board.

“Federal Government” means the Federal Government of Pakistan.

“Interconnection Rules” means the Rules relating to interconnection.

“Licence” means a LL Licence or a LDI Licence, as described in this Information Memorandum or any other Licence issued by the Authority.

“Licensee” means a grantee or holder of a Licence issued by the Authority.

“Licensed Services” means the telecommunication services to be provided by a Licensee under a LL Licence or a LDI Licence.

“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 Pakistan with points that are located outside of Pakistan.

“Network Connection Point” means a location at which Operators other than a 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 licence 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 D.

“Regulations” means all or any regulations issued from time to time by the Authority under the Act.

“Rules” means all or any rules issued from time to time by the Federal Government under the Act.

“SMP” means significant market power.

“Working Days” means Monday to Saturday, excluding public holidays.

Part II – Information on the Pakistan Telecommunication Sector

5. Economy of Pakistan

- 5.1 Pakistan, located in South Asia is a major regional economy, bordering Iran in the west, Afghanistan in the north-west, China in the north and India in the east. The Arabian Sea lies to the south of Pakistan. The Pakistani territory of 796,096 square kilometers comprises of four distinct geographical regions. The northern highlands - the Hindu Kush - are rugged and mountainous. The Indus Valley is a flat, alluvial plain with five major rivers dominating the upper region, eventually joining the Indus River flowing south to the Makran coast. Sindh is bounded east by the Thar Desert and the Rann of Kutch, and on the west by the Kirthar Range. The Baluchistan Plateau is vastly an arid land encircled by mountains.
- 5.2 Pakistan is one of the 10 most populous countries in the World, with an estimated population of 149.03 million in 2003. The annual population growth rate during the recent years (1996 to 2003) has been around 2.3 %.
- 5.3 Approximately 33% of the Pakistani population resides in urban areas. The largest urban centers are Karachi (estimated population of 10 million), Lahore (estimated population of 6 million) Faisalabad (estimated population of 5.4 million) and Rawalpindi/Islamabad (estimated population of 4.3 million). Islamabad is the capital city of Pakistan with an estimated population of 0.8 million.
- 5.4 The current GDP per capita of Pakistan is approximately US \$492. According to published reports of the World Bank, Pakistan is labeled as a low-income country.
- 5.5 Pakistan achieved an annual GDP per capita growth rate of 3.3% from 1982-1992 and 1.14% during the decade from 1992 to 2003. In terms of GDP, the sectoral structure of the Pakistani economy in 2003 was 50.7% services, 18.4% manufacturing and 23.6% agriculture. The annual growth rates from 1992 to 2003 for these three sectors were 4.5%, 4.7% and 3.9% respectively.

- 5.6 The economic performance of Pakistan improved during the period 2002-03. In the fiscal year ending June 30, 2003 ("FY03"), the GDP grew to 5.1%. The relatively high growth in FY03 was marked due to strong performance in all sectors of the economy: 5.3% in services, 7.7% in manufacturing, 4.1% in agriculture.
- 5.7 Agriculture is an important sector of the economy and employs about half the labor force, and accounts for a significant share of foreign exchange earnings. Agricultural production also provides basic inputs for key industries, including textiles and sugar. Pakistan is the world's fourth largest producer of cotton and the economy depends primarily on cotton and textile exports as a major source of foreign exchange and employment. Cotton textile production is the single most important industry, accounting for about 46% of overall manufacturing activity in the country. Other important industries are cement, vegetable oil, fertilizer, sugar, steel, machinery, tobacco, paper and paperboard, chemicals, and food processing.
- 5.8 Pakistan is a democratic country consisting of two houses of the Parliament, the National Assembly and the Senate. The head of the State is the President, and the head of the Government is the Prime Minister. The Supreme Court heads the Judiciary. Administratively, Pakistan is divided into four provinces: Punjab (Capital is Lahore), Sindh (Capital is Karachi), North West Frontier Province ("NWFP") (Capital is Peshawar), and Baluchistan (Capital is Quetta).
- 5.9 Pakistan emerged from four years of stringent macro-economic adjustments. The government tackled some difficult economic issues, including Pakistan's significant debt payments. Pricing was broadly deregulated, including in the energy sector, import tariffs were rationalized and reduced significantly. Pakistan's central bank was granted unprecedented autonomy and capital market prudential oversight was strengthened. These measures were taken to improve the general investment climate in the country.
- 5.10 A central element of Pakistan's economic reform process has been the effort to reduce persistent government budget deficits. The Federal Government of

Pakistan has contained the fiscal deficit to 4.6 percent of the GDP in FY03, mainly due to improvements in tax collection and expenditure control. There has been a 15 percent increase in tax revenue during the first ten months of FY03. Total revenue relative to the GDP increased marginally from 17.2% to 17.6% in FY03 and total expenditures as percent of GDP fell from 22.8% to 22.2% in FY03. The government's efforts to introduce wide ranging tax reforms and promote fiscal transparency were also the contributory factors to deficit reduction. As a result, public debt, as a percent of GDP, declined to 91% in FY03.

- 5.11 Foreign Direct Investment (FDI) in Pakistan stood at US \$700 million in FY03 in comparison to US \$308 million in FY02. A significant 22% of FY03 inflows were derived from the sale of state-owned United Bank Limited to a UK and UAE consortium. Historically, the United States, United Kingdom, United Arab Emirates and Saudi Arabia have been Pakistan's major sources of FDI investment. Principal sectors attracting such investment are financial services, oil and gas exploration, power, trade, transport, storage and communications, chemicals, pharmaceuticals, fertilizers, and textiles.
- 5.12 Financial reforms introduced in 1990 have liberalized Pakistan's banking sector, which had long been dominated by state-owned banks. Private Banks are gradually playing a more significant role. The Federal Government privatized three formerly nationalized Banks, i.e. Allied Bank Limited, Muslim Commercial Bank Limited and Habib Bank Limited. There are 44 banks operating in the country of which 25 are domestic, while 19 are foreign banks. The State Bank of Pakistan, the country's central bank, controls the money supply and credit, supervises the operations of banks, administers the country's international reserves, and acts as banker to the federal and provincial governments.
- 5.13 Additional information on the state of the economy in Pakistan is available in Pakistan Economic Survey-2002/2003 published by the Ministry of Finance. The Survey is available at the website of the Ministry of Finance: <http://www.finance.gov.pk>

- 5.14 Pakistan is a member of the main international and regional organizations, including the United Nations, the Organization of the Islamic Conference (OIC), the Economic Cooperation Organization (“ECO”), the World Trade Organization (“WTO”), the South Asian Association for Regional Cooperation (“SAARC”), the International Telecommunication Union (“ITU”) and the Asia Pacific Telecommunity (APT). The ECO, whose founding members are Pakistan, Turkey, and Iran, grants a 10- percent tariff preference on statutory rates for some goods. In 1993, ECO membership was expanded and Afghanistan, Azerbaijan, and the five formerly Soviet Central Asian republics were admitted to this organization. The SAARC comprises India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, and the Maldives. SAARC proposed a South Asian Preferential Trading Agreement, which became operational after ratification by the member states in November 1994. The SAARC Governments have signed an agreement on South Asian Free Trade Area (SAFTA) on 6 January 2004. The agreement will enter into force on 01 January 2006 upon completion of formalities including ratification by all contracting states. This agreement shall supercede the SAARC Preferential Trading Agreement (SAPTA). Pakistan is also a member (along with India and Nepal) of the Asian Clearing Union, which was founded in 1976 and aims at facilitating multilateral payments through the use of currencies of participating countries in regional transactions in order to expand intra-regional trade and save convertible foreign exchange.
- 5.15 Pakistan has negotiated Bilateral Investment Treaties with several countries, including the Peoples Republic of China, France, Germany, the United Kingdom, the Republic of Korea, the Netherlands, Romania, Sweden, Spain, Portugal, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan, Switzerland, Azerbaijan, Bangladesh, the United Arab Emirates, Iran, Indonesia, Tunisia, Syria, Belarus, Mauritius, Italy, Oman, Sri Lanka, Australia, Japan, Belgium, Denmark, Czech Republic, Thailand, Philippines, Egypt, Lebanon, Morocco Qatar, Turkey, Kuwait, Malaysia and Singapore. These treaties generally include dispute settlement provisions. If a dispute cannot be settled through mutual consultation, investors can generally take cases to arbitration under rules of the U.N

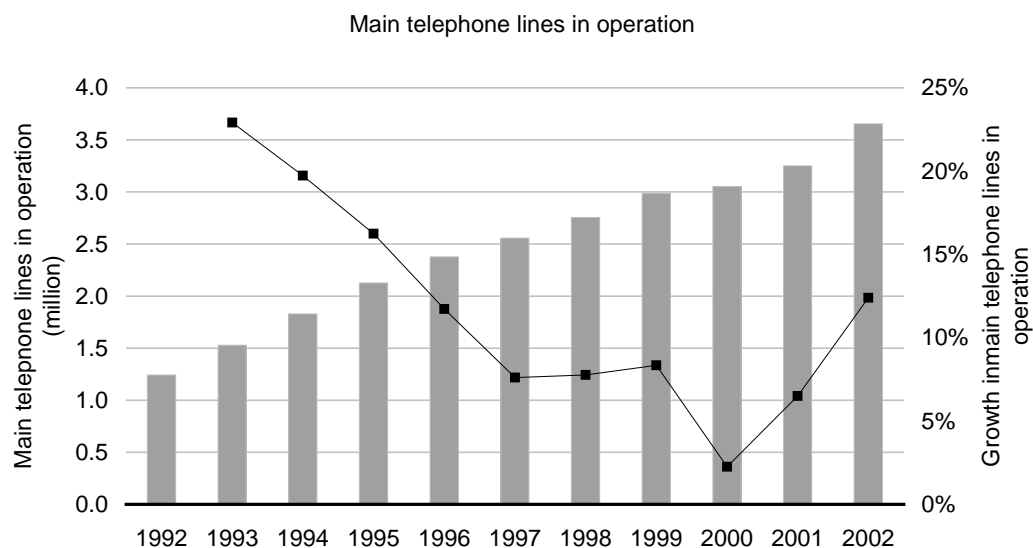
Commission on International Trade Law or to the World Bank's International Center for Settlement of Investment Disputes or to the Court of Arbitration of the International Chamber of Commerce. Pakistan is a member of the Multilateral Investment Guarantee Agency, an arm of the World Bank.

- 5.16 The Protection of Economic Reforms Act, 1992, safeguards local and foreign investments in Pakistan. This statute, inter-alia, guarantees the right to bring, hold, sell, transfer and take out foreign exchange within or out of Pakistan; protects fiscal incentives provided by the government; and protects investors against expropriation of assets.
- 5.17 Companies doing business in Pakistan are subject to the Companies Ordinance, 1984, as amended. This statute sets out the legal regime applicable to the incorporation, operation and termination of companies in Pakistan. The Securities & Exchange Commission of Pakistan (SECP) is the administrative entity responsible for registration of companies under Companies Ordinance 1984, as amended. Applicants should consult their own professional advisors for further information on company law requirements.
- 5.18 The Income Tax Ordinance, 2002 is applicable on the companies conducting business in Pakistan. To obtain more information on Pakistan's taxation regime, visit the website of the Central Board of Revenue: <http://www.cbr.gov.pk> Applicants should also consult their own professional taxation advisors for more complete information on Pakistan tax requirements.
- 5.19 Pakistan has bilateral and/or double taxation treaties or agreements with more than 50 countries, including Austria, Canada, Germany, Indonesia, Italy, Lebanon, Mauritius, Poland, Switzerland, Turkmenistan, Kazakhstan, the United Arab Emirates, Belgium, China, France, Greece, Iran, Japan, Libya, Saudi Arabia, Romania, Sweden, Belarus, Hungary, Jordan, Kenya, Kuwait, Malaysia, Netherlands, Nigeria, Norway, Oman, Philippines, Qatar, South Africa, Syria, Tunisia, Uzbekistan, the United Kingdom, the USA, Bangladesh, Denmark,

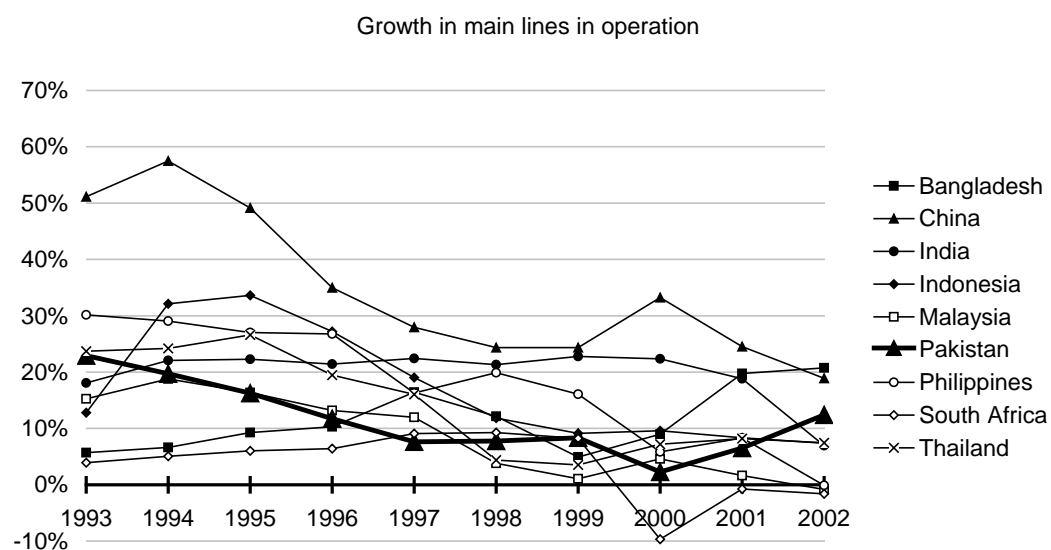
Finland, India, Ireland, South Korea, Malta, Singapore, Sri Lanka, Thailand and Turkey.

6. Overview of Telecommunication Sector

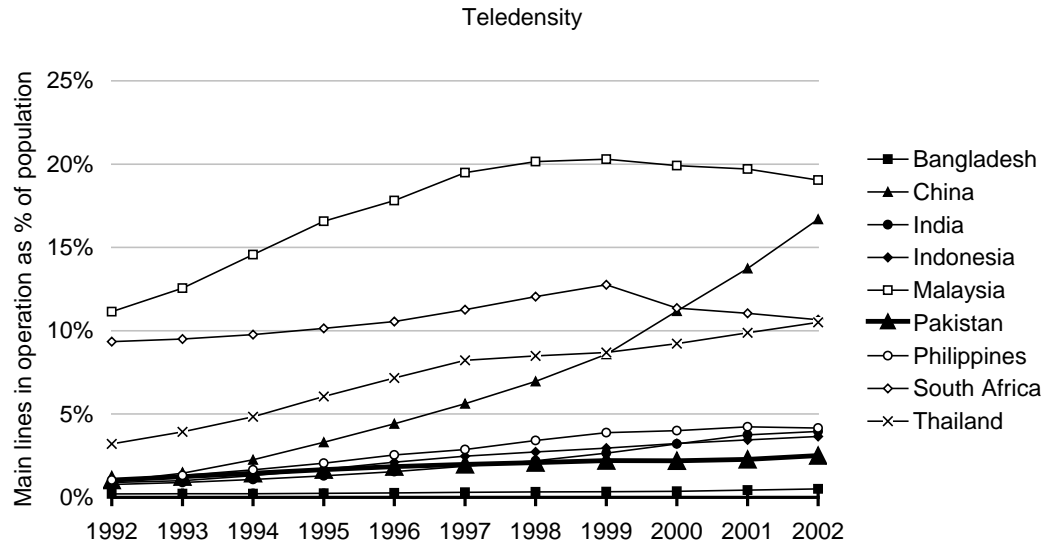
- 6.1 The telecommunication sector in Pakistan has grown rapidly in the past three years and offers significant opportunities in every segment of the telecommunications market. The Federal Government has granted high priority to developing telecommunications in the country to achieve sustainable growth in all sectors of the economy.
- 6.2 Pakistan has international connectivity with other countries through undersea cables, satellite links and terrestrial cables. Pakistan is linked to Southeast Asia, the Middle East and Western Europe by the SEA-ME-WE-III submarine fiber optic cable. An older submarine cable links Pakistan with UAE. In addition, Pakistan is negotiating for participation in the proposed Trans-Asia Europe optical fiber link that will connect China with Europe via countries enroute, and the SEA-ME-WE-IV undersea consortium.
- 6.3 The telecommunications sector in Pakistan has shown significant growth in the recent years, however, it still lags behind many of its comparable economies in terms of fixed line density (number of fixed phones per 100 inhabitants), mobile penetration (number of mobile subscribers per 100 inhabitants) and internet usage. Due to the fact that there is a substantial population that is devoid of telecommunication services, there exists an enormous potential for growth of telecommunications in the country.
- 6.4 The following table shows the growth in fixed line service in Pakistan in recent years (Source: ITU):



6.5 The following table compares Pakistan's growth in fixed line service with that of neighbouring countries (Source: ITU):

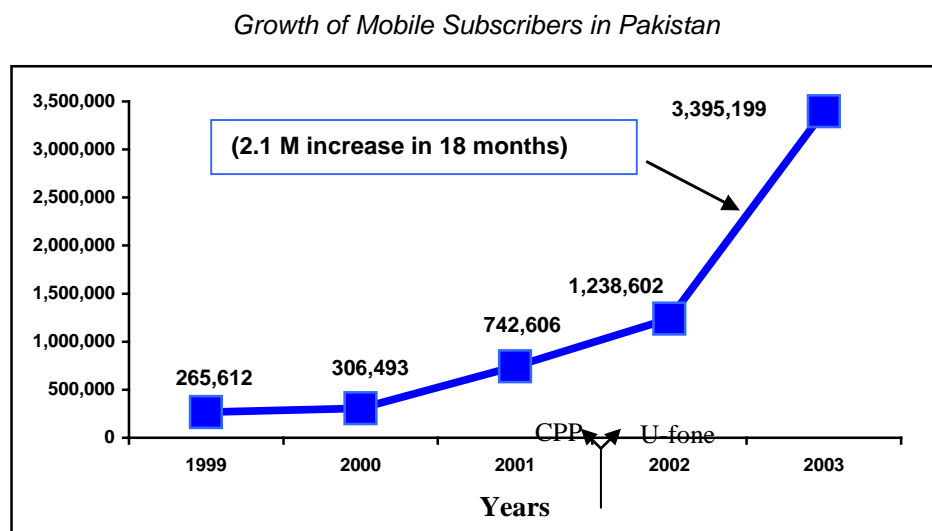


6.6 The table below compares Pakistan's fixed teledensity with that of its neighbours and important trading partners (Source: ITU):



6.7 In line with the global trends, the mobile cellular sector of Pakistan has shown relatively stronger growth than the fixed line telephony. Pakistan currently has over 3.4 million cellular subscribers, the number of subscribers has increased three-fold in the past three years but there still exists high demand for mobile cellular communication services in the country.

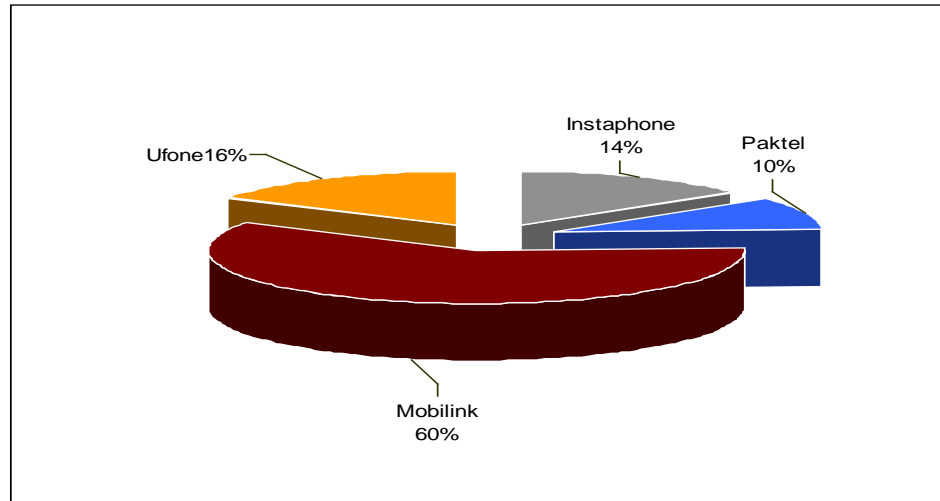
6.8 The introduction of CPP regime and start of operations by U-fone facilitated growth in number of subscribers. This fact is indicated in the figure below:



Source: PTA

- 6.9 The market share of four mobile operators in Pakistan mobile market is indicated in the figure given below. Mobilink being the market leader has 60% market share, U-fone 16%, Instaphone 14 % and Paktel 10%.

Market Share of Mobile Operators in Pakistan



Source: PTA, December 2003

7. Salient Features - De-regulation Policy

- 7.1 Pakistan is a member of the WTO and is also a signatory to the 1997 WTO Agreement on Basic Telecommunications (“WTO-ABT”). Under the WTO-ABT, Pakistan has made specific commitments on market opening, and subscribes to a Reference Paper on regulatory principles. A copy of Pakistan’s WTO-ABT commitments is available at the WTO website.¹
- 7.2 Based on an assessment of the overall performance of the telecommunication sector, and with a view to meeting its WTO-ABT commitments, the Federal Government has issued the De-regulation Policy for the Telecommunication Sector (the “Policy”). The Policy formally sets out the Federal Government’s market opening framework. The Policy establishes important elements of the structure for new competitive entry in the telecommunication sector, and

¹ http://www.wto.org/english/tratop_e/serv_e/telecom_e/telecom_commit_exempt_list_e.htm

addresses many of the detailed issues concerning the issuance of new Licences. A copy of the Policy is included in Annex M.

7.3 The Policy is intended to achieve a number of important objectives, notably:

- (a) Increase service choice for customers;
- (b) Promote infrastructure development, especially infrastructure that will increase teledensity;
- (c) Increase private investment in the telecommunication sector;
- (d) Encourage fair competition amongst service providers

7.4 The Policy also sets the groundwork for liberalization of the telecommunication sector in a number of areas:

- (a) Licensing of new, competing LL and LDI operators in an open entry environment,
- (b) Increased availability of radio frequency spectrum resources for new operators, and
- (c) Establishment of a universal service scheme.

7.5 The Policy also sets the stage for the licensing of new mobile operators in 2004.

8. Licensed Telecommunication Service Providers

8.1 Mobile Cellular Service Providers. The following paragraphs give brief description of the four existing Mobile Cellular Operators.

a. Pakcom (InstaPhone)

- (1) InstaPhone was the first mobile phone company to launch CPP (Calling Party Pays) packages in Pakistan, before the CPP (free incoming) regime was officially implemented. The transition from AMPS to TDMA technology has provided access to digital services: SMS, SMS Pulse, Web and e-mail SMS services etc.

- (2) InstaPhone is controlled by Millicom, with 97.5% of issued shares. Arfeen group holds the remaining 2.5%. Instaphone claims the widest coverage of all four networks with about 180 cities/towns, with population coverage of 40%.

b. **Paktel**

- (1) Paktel Limited was founded in 1990 and claims coverage, network quality, customer services and value added services. It presently claims to offer cellular services in over 100 cities/towns in Pakistan.
- (2) Paktel is controlled by Millicom with 98% of issued shares, the remainder being held locally. Paktel is moving its network from AMPS to GSM, and plans to deploy GSM capacity for 1 million subscribers in year 2004 and another 2 million during year 2005.

c. **PMCL (Mobilink)**

- (1) PMCL Mobilink launched its GSM network in 1994. In June, 2003, the company became the largest single operator in Pakistan. The company has cell sites covering 55 cities and towns, and plans to double its cell sites in the next two years.
- (2) PMCL Mobilink operates under the consumer brand Mobilink and is 90% owned by Egyptian telecom operator Orascom.

- d. **PTML (Ufone)**: Pak Telecom Mobile Ltd. is Pakistan's fourth mobile operator and second GSM 900 operator. It launched services in January 2001 under the Ufone brand. At the end of 2001, it had 117,711 subscribers and a market share of 15.7%. It currently has over 550,000 subscribers, and is building capacity to add one million more. Pak Telecom Mobile Ltd. is a wholly owned subsidiary of PTCL.

8.2 **Fixed Line Telecommunication Service Providers.**

- a. **Pakistan Telecommunications Company Limited ("PTCL")**: PTCL is the incumbent service provider for the provision of local (fixed line), long distance and international telecommunications. PTCL provides service to approximately 4.9 million access lines, an increase of more than 1.5 million since 1997. Previously, Pakistan Telecommunication Corporation (PTC) was converted to a public limited company in 1996. It is mainly owned by the Federal Government, which controls 88% of PTCL shares. The remaining 12% of PTCL shares are listed on the Karachi Stock Exchange. To obtain more information about PTCL visit its website: <http://www.ptcl.com.pk>
- b. **National Telecommunication Corporation ("NTC")**: NTC was formed in 1996 to meet the telecommunication requirements of the Federal Government and national defence forces. It has nationwide fibre-optic

backbone infrastructure. To obtain more information about NTC, visit its website: <http://www.ntc.gov.pk>

- c. **Special Communications Organization (“SCO”)**: SCO was created in 1976 as a unit of the Pakistan army's signal corps. It provides telecommunication services for Azad Jammu & Kashmir and Northern Areas. SCO operates a network of approximately 63,573 lines. To obtain more information about SCO, visit its website: <http://www.sco.gov.pk>
- d. **Payphones**: The payphone market in Pakistan can be divided into unmanned payphones (typically located outdoors) and Public Call Offices (PCOs) which are supervised, indoor terminals (typically in post offices, shops, petrol stations and hospitals). Both types only accept pre-paid cards. The number of PCOs rose from 5,219 in 1995 to 27,710 in June 2003 and 1,44,584 in 2003.
- e. **Internet Services**
 - i. In line with the Federal Government policy of expanding Internet access throughout the country, there is direct digital Internet connectivity in 1,800 cities and towns. Customers are able to make flat rate local calls (131 service) and reach their selected Internet Service Providers (ISPs).
 - ii. To promote broadband Internet services in Pakistan, the Authority recently directed PTCL to enter into agreements with ISPs for the provision of Digital Subscriber Line (DSL) services under certain conditions.
 - iii. Currently, there are more than 70 active ISPs in Pakistan, mostly in the four major cities of Islamabad, Karachi, Lahore and Peshawar.

8.3 Overview of the Value Added Service Market

- 8.3.1 Private sector operators have played a key role in the development of the value added service market in Pakistan. Among the most important recent achievements is the expansion of footprint of payphone services across the country and increase in other value added services, such as premium rate calling systems
- 8.3.2 Some private sector service providers have deployed fibre optic infrastructure in main cities to provide broadband Cable TV and Internet services. In addition, PTCL has entered into O&M contracts with private sector partners to offer services such as Wireless Local Loop (WLL) pay

phones, DSL based Internet access, pre-paid calling cards, International voice termination using VoIP technology. Companies in the Information Technology business can set up satellite based direct international connectivity for call centers / IT services under franchise agreement with PTCL.

8.3.3 During FY 2002-2003, the Authority issued 80 licences for value added services: 56 for Card Payphone Services; 15 for Electronic Information / Internet Services; 2 for Audiotex; 2 for Store & Forward Fax Services; 4 for Non-Voice Communication Network Services; and the first Licence for the operation of Video Conferencing Services in Pakistan.

9. Telecommunication Sector Regulation in Pakistan

9.1 Regulatory Framework

9.1.1 Prospective Applicants should familiarize themselves with the regulatory and institutional framework for the regulation of telecommunication sector in Pakistan. Key elements of this framework are set out below. Additional information is available at the Pakistan Telecommunication Authority's website at www.pta.gov.pk.

9.1.2 Pakistan started to modernize its regulatory framework for telecommunication sector in early 1990's. The Authority was established as the sector regulator, and the Frequency Allocation Board was constituted to manage the radio frequency spectrum. Since then, further changes have occurred in 2000, when the Telecommunication Rules came into force, and more recently in preparation for the liberalization of the sector. Changes are proposed to address some of the key principles introduced in the telecom de-regulation Policy.

9.2 Pakistan Telecommunication (Re-Organization) Act, 1996

9.2.1 The Act came into force in 1996, and contains, inter-alia, the following:

- Establishes the institutional framework for, and the main principles applicable to, the regulation of telecommunication activities.
- Establishes a licensing regime for telecommunication operators.
- Established the Authority and granted it powers to issue and enforce Licences, regulate tariffs, determine interconnection disputes, and issue regulations in support of its powers and functions.
- Established the Board, which is charged with allocating and assigning radio frequency spectrum resources.
- Authorizes the Federal Government to make rules to implement the Act.

9.3 Pakistan Telecommunication Rules, 2000

9.3.1 The Rules, issued by the Federal Government in 2000, establish regulatory requirements for licensing, interconnection, PTCL tariffs, procedural matters and appeals.

9.4 Regulations

9.4.1 The Authority has the power to issue regulations relating to its powers and performance of its functions under the Act.

9.4.2 Draft regulations (the “Pakistan Telecommunication Authority (Functions and Powers) Regulations, 2000”) have been prepared to deal with holding of public hearings on specific matters, Licence application process, criteria for granting Licences, quality of service, complaints against licensees, terminal equipment standards and approval, numbering, promotion of competition, fees to be charged to licensees, establishment of advisory committees and regional offices of the PTA.

9.5 Proposed Amendments to the Regulatory Framework

9.5.1 Pakistan proposes to take steps to modernize its regulatory framework in preparation for the granting of new Licences. These proposed changes include the following:

- The Act will be amended to clarify certain powers of the Authority, introduction of new principles resulting from the de-regulation policy and to modernize a number of provisions.
- Amendments to the Rules / Regulations are being proposed to address procedural matters, to add provisions relating to the prevention of anti-competitive conduct, Access Promotion Contribution and so forth.

9.6 Institutional Framework

9.6.1 The three key components of the institutional framework are the Ministry of Information Technology, the Pakistan Telecommunication Authority and the Frequency Allocation Board. These are briefly described below.

9.7 Ministry of Information Technology (“MoIT”)

9.7.1 The Ministry of Information Technology (Information Technology and Telecommunications Division), is the Federal Government. department that oversees the telecommunication sector. Its functions, inter-alia, include:

- Preparation of an overall integrated Plan as well as formulation of policy for the development and improvement of information technology, including infrastructure, in Pakistan.
- Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect of information technology.

- Planning, policy making and legislation covering all aspects of telecommunications excluding radio and television.
- Representing Pakistan before the International Telecommunication Union and other international bodies in the telecommunications field.
- All matters relating to PTCL, FAB, NTC, TIP, CTI, Telecommunication Foundation and the Special Communication Organization.

To obtain more information about the Ministry of Information Technology, visit its website: <http://www.moitt.gov.pk>

9.8 Pakistan Telecommunication Authority (the “Authority”)

9.8.1 The telecommunication sector is regulated by the Authority, an independent administrative agency under the Act reporting directly to Cabinet Division Its mandate includes:

- regulating the establishment, operation and maintenance of telecommunication systems and the provision of telecommunication services in Pakistan;
- receiving and disposing of applications for the use of radio frequency spectrum;
- determining interconnection disputes between operators;
- investigating and adjudicating on complaints against licensees; and
- making recommendations to the Federal Government on policies with respect to international telecommunications.

To obtain more information about the Pakistan Telecommunication Authority, visit its website: <http://www.pta.gov.pk>

9.9 Frequency Allocation Board (the “Board”)

9.9.1 The Board allocates and assigns radio frequency spectrum to operators. It has prepared draft regulations (the “Frequency Allocation Board Regulations, 2000”), that detail the Board procedures for the allocation and assignment of radio frequency spectrum. These draft regulations are not yet in force.

9.9.2 The Board is currently reviewing the regulatory framework pertaining to radio frequency spectrum, including the Board’s own responsibilities and functions. This review may lead to changes that will be implemented later in 2004.

Part III – General Information Concerning LL and LDI Licences

10. Introduction

10.1 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 Licences and in the Act, Rules and Regulations. Applicants are advised to refer to Annexes G and H, which contain copies of the draft LL and LDI Licences. Some of the rights and obligations are highlighted below.

11. Availability of Licences

11.1 In accordance with the Policy, Pakistan is adopting an open licensing regime for LL and LDI Licences.

11.2 An Applicant may apply for LL Licences in more than one Region(s) separately. An Applicant can also apply for a LDI Licence in addition to LL Licence(s). In all cases, however, those Applicants that are granted Licences will have to comply with the roll-out obligations and other conditions applicable to each such Licence.

12. Price Regulation

12.1 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, under the Policy, the Authority reserves the right to impose price regulation on LL and LDI Operators if their pricing becomes unfair and burdensome to consumers. See Policy, section 4.0.6.

13. Universal Service Fund and R&D Fund

13.1 Pakistan will be establishing a Universal Service Fund to promote increased availability of telecommunication in areas that are unserved or under-served. LL

and LDI licensees will be required to contribute to this fund. The Policy establishes a maximum contribution of 1.5% of adjusted gross revenues. See Policy, section 5 for more information.

- 13.2 The Policy also envisages that a maximum contribution of 0.5% of gross revenues minus inter-operator and related PTA / FAB mandated payments would be made to Research and Development Fund.

14. Access Promotion Contribution (“APC”)

- 14.1 At present, most international voice telephony traffic to and from Pakistan is handled under traditional bilateral accounting rate arrangements. Under this accounting rate regime, each of the originating and terminating operator, in effect, receives half of the accounting rate as the settlement rate for terminating an international call. The levels of accounting rates for various countries, and thus the settlement rates, have been decreasing in recent years, a trend that is expected to continue. It is thought that the current settlement rates applicable to Pakistan are above the actual cost of call termination in Pakistan.
- 14.2 The Policy recognizes that current approach provides certain benefits to the telecommunication sector in Pakistan. The premium of settlement revenues over related costs can contribute to development of telecommunication infrastructure in Pakistan. The Policy calls for this contribution to be applied in a multi-licensee environment, and it seeks to more specifically target this contribution largely to the development of local telecommunication infrastructure – infrastructure that is presently underdeveloped in Pakistan. Accordingly, the Access Promotion Regime is being introduced to help achieve these objectives.
- 14.3 Under the APC Regime, international traffic agreements between LDI Licensees and foreign operators will be regulated by the Authority in a multi-operator environment. The framework calls for these agreements to continue to be accounting rate agreements, with a high degree of uniformity in country-specific accounting rates for all operators.

- 14.4 The framework requires that LDI Licensees make APC payments to LL Licensees based on the international voice traffic that is routed by LDI Licensees to local networks of LL Licensees. APC payments to LL licensee by LDI (APCL Charge) shall consist of the Approved Settlement Rate for that country, less an amount up to US\$0.06 (or equaling Forex value in PKR). APCL is inclusive of the local termination charges.
- 14.5 The APC in respect of traffic destined to mobile operators will be handled in a different manner. LDI Operators will remit the APC for mobile traffic to the Universal Service Fund. APCM Charge mopped up to Universal Services Fund shall consist of the Approved Settlement Rate for that country, less an amount up to US\$0.06 (or equaling Forex value in PKR) and less the interconnection termination charge due to an operator of a public mobile switched network in respect of one minute of Incoming International Telephony Service as determined by the Authority.
- 14.6 As international accounting rates are expected to continue to decline in the years to come, the amount available for the APC will likewise decline. The APC Regime anticipates that the Authority will review the level of APC on a regular basis, and no less frequently than once every six months, and shall recommend adjustments as considered necessary, consistent with the Policy, to ensure that LL Licensees and LDI Licensees receive an appropriate share of the premium over cost of international incoming voice traffic.
- 14.7 Applicants should also take note that the APC program may be cancelled at any time. This would occur, for example, if accounting rates drop to a level that the continuation of the APC program no longer serves a useful purpose.

15. Radio Frequency Spectrum Availability

- 15.1 Section 4.4 of the Policy sets out policy direction concerning the availability, use and re-assignment 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

16. Scope of the Local Loop (LL) Licence

16.1 A LL Licence 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 D. LL licence will be granted for following telecom regions:

Southern Telecom Region -I, Karachi Telecom Region (including both regions of Karachi city), Southern Telecom Region –V, Western Telecom Region, Multan Telecom Region, Central Telecom Region, Lahore Telecom Region (including both regions of Lahore city), Faisalabad Telecom Region, Gujranwala Telecom Region, Rawalpindi Telecom Region, Islamabad Telecom Region, Northern Telecom Region –I, Northern Telecom Region –II, Hazara Telecom Region.

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

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

- access to emergency services,
- access to directory assistance,
- access to operator services, and
- access to Long Distance And International Public Voice Telephone Services.

16.4 **Prohibited activities / services:** The LL Licences 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 Licence, it may be permitted under other appropriate Licences that the Applicant may wish to obtain.

17. Service Quality

17.1 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 Licence. In the future, the Authority may also issue regulations that state quality of service requirements.

18. Roll-out Requirements

18.1 LL Licensees have minimal roll-out requirements. They must establish at least one Network Connection Point in the Region and commence the provision of Mandatory Services within eighteen (18) months from the Effective Date of the LL Licence.

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

19. Numbering

19.1 Licensees will be required to comply with the national numbering plan established by the Authority.

19.2 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.

20. No requirement to provide certain services

20.1 The Licence 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 distance international services provided by other Operators.

21. Number portability

21.1 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.

22. Price Regulation of “131” Internet Access Service

22.1 An important policy objective of the Federal Government is to encourage increased use of the Internet. To this end, PTCL currently offers “131” dial-up Internet access service at attractive rates. The Policy states that new LL operators must also offer “131” service at comparable rates. This requirement is made a condition of the LL Licence.

22.2 The Authority has not yet settled on the interconnection and revenue sharing elements that must be in place for new licensees to offer “131” service. The Authority is working on this and expects to establish the appropriate measures in the near future. At that time, and following 6 months notice, LL Licensees will be required to offer “131” Internet access service to its customers at rates approved by the Authority.

Part V – Specific Rights and Obligations of LDI Licensees

23. Scope of the Long Distance International (LDI) Licences

- 23.1 A LDI Licence authorizes the licensee to construct LDI network facilities, and to offer LDI services, anywhere in Pakistan.
- 23.2 A LDI Licensee will offer Long Distance And International telecommunication services to customers and other operators. Under the Policy, PTCL 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.
- 23.3 The Licence specifies mandatory and prohibited services and activities. These are described in section 1.1 of the LDI Licence.
- 23.4 **Mandatory Services** LDI licensees are required to provide certain services. The primary requirement is to offer Long Distance And International public voice telephone service.
- 23.5 **Prohibited activities/services:** The LDI Licences 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 Licence, they may be permitted under other appropriate Licences that the Applicant may wish to obtain. In particular, basic public telephone access service is not authorized under the LDI Licence.

24. Service Quality

- 24.1 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 Licence. In the future, the Authority may also issue regulations that state quality of service requirements.

25. Roll-out Requirements

- 25.1 LDI Licensees will be required to roll-out their networks to all telecom regions in Pakistan. Licensees must establish one Network Connection Point in any five telecom regions within one year of the Effective Date of the Licence, and in all regions within 3 years. See LDI Licence, section 3.2
- 25.2 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 Licence describes the method of calculation of this requirement.
- 25.3 LDI Licensees will be permitted to lease infrastructure from PTCL 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.

26. Ensuring Performance of Roll-out Obligations

- 26.1 LDI Licensees will be required to provide a standby letter of credit to ensure compliance with the roll-out commitments. (See LDI Licence, section 3.3.) The stand by letter of credit will be in the amount of US \$ 10 Million (or equaling Forex value in PKR) and be issued from a first class financial institution acceptable to the Authority. Annex C contains the model standby letter of credit to be used by Licensees.
- 26.2 Upon receipt by the Authority of satisfactory evidence that the Licensee has met the performance requirements set out in the LDI Licence that are required to be met by no later than 12 and 24 months, respectively, after the Effective Date, the

amount of the stand by letter of credit may be reduced in accordance with the provisions of the LDI Licence. (See LDI Licence, section 3.3)

- 26.3 36 months after the Effective Date of an LDI Licence, the Stand by letter of credit will be returned to Licensee upon receipt by the Authority of satisfactory evidence that the Licensee has met the performance requirements set out in the LDI Licence that are required to be met by no later than 36 months after the Effective Date.

27. Numbering

- 27.1 Licensees will be required to comply with the national numbering plan established by the Authority.
- 27.2 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.

28. Access to the SEA-ME-WE-3 submarine cable system

- 28.1 Under section 4.1.4 of the Policy, LDI licensees are permitted to sub-lease half-circuit capacity on the SEA-ME-WE-3 submarine cable system under commercial arrangements to be negotiated.
- 28.2 In the event of capacity shortage on the system, the Policy states that PTCL will be required by the Authority to assign to LDI Licensees a minimum amount of PTCL’s voice circuit capacity on the SEA-ME-WEA-3 cable system.

29. Access to Other International Transmission Facilities

- 29.1 LDI Licensees will have the right to participate in, and obtain IRUs (Indefeasible Rights of Use) from submarine cable consortia and the right to install satellite earth stations to connect to international satellite networks. LDI Licensees will negotiate such arrangements.

- 29.2 LDI Licensees should note that all international agreements for conveyance of telephony in or out of Pakistan are subject to prior Authority approval. See the LDI Licence, section 6.12.

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

30. Interconnection

- 30.1 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
- 30.2 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.
- 30.3 PTCL has prepared a "Reference Interconnect Offer" that provides more details on interconnection with PTCL. Key initial interconnection prices applicable to PTCL are set out in Annex E. These have been developed primarily based on international benchmarks, and will be revised from time to time as PTCL develops better cost-based pricing information.
- 30.4 According to section 4.1.8 of the Policy, LL and LDI licensees will have the right to co-locate in PTCL local and transit exchange buildings, and to connect their own fiber and own radio links to PTCL buildings, under commercial arrangements.

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

- 31.1 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 Pakistan.

32. Term of the Licences

- 32.1 The initial term for a LL or LDI Licence will be 20 years.

- 33.2 Following the initial or any renewal term, the Authority may renew a Licence 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 Licence, the Act, Rules and Regulations. See LL Licence and LDI Licence, section 1.2.

33. Availability of Radio Frequency Spectrum

- 33.1 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.
- 33.2 LL and LDI Licences that are issued to Applicants will include an appendix that specifies the radio frequency spectrum assigned to the Licensee at the time of licensing.
- 33.3 Assignments of radio frequency spectrum for LL and LDI Licences shall be made for the initial term of the Licence, that is 20 years, and may be renewed in accordance with the policies in effect at the relevant time
- 33.4 The Licences specify a number of provisions to ensure the efficient management and use of radio frequency spectrum. See Licence, sections 5.2.

34. Commitments to Deploy Radio-Based Infrastructure

- 34.1 Licensees that are assigned radio frequency spectrum will be required to make specific commitments to deploy radio frequency spectrum infrastructure.
- 34.2 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 F), these commitments will be expressed in terms of number of radio base stations installed and operating in a Region (a) within eighteen (18) months from the Effective Date, and (b) on an ongoing basis thereafter. The specific

commitments for the Designated Bands are described in Annex F. The Board may revoke the right to use radio frequency spectrum where a licensee fails to meet its specific commitments.

- 34.3 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.

35. **Fees**

- 35.1 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 Licences and the Application process. They also are required to make contribution to a Universal Service Fund and a Research and Development Fund. The following table summarizes the relevant fees. Further details can be found in the relevant Licences.

<u>FEE/CHARGE</u>	<u>AMOUNT</u>
Fee for Printed Copy of Information Memorandum	Rs. 1,000 (Information Memorandum is also available on the Authority's website at no charge)
Application Fee	US \$ 500 (or equaling Forex value in PKR)
Initial Fee – LL Licence	US \$ 10,000 (or equaling Forex value in PKR)
Initial Fee – LDI Licence	US \$ 500,000 (or equaling Forex value in PKR)
Initial Fee – Radio Frequency Spectrum	Minimum initial fees for certain spectrum bands and blocks are described in the Spectrum Information Sheets attached in Annex F. Additional fees may be payable in cases where a spectrum block is assigned by

	<p>auction. See section 52 below. Fees may also be applicable for other spectrum bands.</p>
<p>Annual Regulatory Fee – Licence</p>	<p>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.</p>
<p>Annual Regulatory Fee – Radio Frequency Spectrum</p>	<p>For Designated Bands described in Annex F, see Spectrum Information Sheets in Annex F. Fees may also be applicable for other spectrum bands.</p>
<p>Universal Service Fund Contribution</p>	<p>The Licensee shall contribute to the Universal Service Fund in an amount calculated on the basis of 1.5% (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.</p>
<p>R&D Fund Contribution</p>	<p>In any Financial Year of the Licensee, the Licensee shall make a contribution to the Research and Development Fund established by the Federal Government in the amount calculated on the basis of 0.5% 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.</p>
<p>Annual Regulatory Fee – Numbers</p>	<p>The annual numbering fee is based on the length of the number allocated to the Licensee. A standard rate of</p>

	<p>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:</p> <p>(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</p> <p>The maximum charge for an individual number is Rs. 5,000 per number per annum. This charge is imposed on short codes as well.</p>
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36. **Obligations of PTCL**

36.1 The Policy imposes a number of obligations on PTCL to prepare for the entry of LL and LDI licensees. PTCL has provided information in the following table that lists PTCL's obligations, and a summary of its compliance at December 1, 2003. The Authority assumes no liability for the accuracy or completeness of this information. Applicants that wish further details or additional information should contact PTCL directly:

<u>POLICY SECTION</u>	<u>POLICY REQUIREMENT</u>	<u>PTCL REPORT ON COMPLIANCE, DECEMBER 2003</u>

4.6.1 (a)	Prepare all transit and tandem switches for interconnection.	Attached Annex J lists 36 transit exchanges that, as of June 2004, will have available E1 capacity reserved for interconnection
4.6.1 (b)	Prepare 50% (measured by lines in service) of local Main Switching Units for interconnection within one year. The remainder to be done in two equal stages within the subsequent two years.	PTCL shall prepare interconnection facility at MSU level upon request by the operator within three months subject to pre-payment of three month port costs.
4.6.1 (c)	Enable subscriber lines on all digital local switches to perform Indirect Access (call-by-call carrier selection) for 22 digit numbers within one year.	Compliant in all exchanges
4.6.1 (d)	Enable all subscriber lines to perform indirect access	Compliant
4.6.1 (e)	Enable all subscriber lines to perform carrier pre-selection	Carrier pre-selection is available in more than 50% of the switches. Remaining switches shall be made available as per following target: 75% by July 2005 100% by July 2006
4.6.2	PTCL shall upgrade all local switch software to allow automatic insertion of Access Code before the numbers dialed by customers of LDI licensees (carrier pre-selection).	see 4.6.1 (e)
4.6.3	PTCL shall publish cost-based price	In preparation

	for restoration in the event of fault on the non-self-healing cable, to the same availability standards as it currently enjoys.	
4.6.5	Availability of PTCL RIO	PTCL has prepared a RIO that is available separately. A summary of key interconnect prices is included in Annex E.

36.2 PTCL is subject to Licence conditions that are intended to discourage anti-competitive conduct. In addition, new Rules are being proposed that are intended to discourage anti-competitive conduct by all Operators, including PTCL, that possess significant market power.

37. Other Provisions

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

37.2 Licences are subject to the Act, Rules and Regulations and amendments thereto, which take priority over Licence provisions in case of conflict.

Part VII – Instructions to Applicants

38. Description of the Application Process - General

- 38.1 The Authority will publish this Information Memorandum on its website, and will make available printed copies at a charge of Rs. 1,000.
- 38.2 An Applicant must submit the required information in accordance with section 40 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.
- 38.3 The Authority will verify the Application for completeness within seven days. Incomplete Applications will be returned.
- 38.4 The Authority will review the Applications based on the eligibility requirements set out below. The Authority intends to complete such reviews within 20 days.
- 38.5 An Applicant will be considered successful if it satisfies the eligibility requirements in section 41 and it is not disqualified pursuant to section 42.
- 38.6 The Authority will notify a successful Applicant by letter stating that (a) its Application is accepted and enclosing a copy of the Licence, or (b) its Application is provisionally accepted, subject to the completion of the steps discussed in section 38.7 below.
- 38.7 In cases where the Applicant has requested the assignment of radio frequency spectrum, and the demand by Applicants exceeds the available supply such 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 Licence.

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

39. Special Procedures for Initial Applications for Licences

39.1 The following procedures will be employed for the initial Applications for Licences pursuant to this Information Memorandum. These procedures supplement the procedures in section 38 above. See also the timetable in section 2 above.

39.2 Potential Applicants for Licences 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 section 3 above. The Authority will maintain a list of interested parties, and will endeavour 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.

39.3 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 "Issuance Date"). 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.

39.4 The Authority will hold an information conference for Applicants, starting at 9:30 am 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.

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

39.6 The Authority will review Applications based on the eligibility criteria set out below:

- (a) For those Applications where no radio frequency spectrum is 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 in June 2004.

40. Application Information

40.1 An Applicant shall make a separate Application for a LL Licence and a LDI Licence. In case Applicants are interested to obtain LL licence in more than one Region , separate application shall be filed for each region along with necessary documents. Details of the regions for LL Licence is provided in Annex D.

40.2 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 \$ 500 (or equaling Forex value in PKR)

- (ii) Initial fee – LL Licence of US \$ 10,000/- (or equaling Forex value in PKR) per Region applied for,
 - (iii) Initial fee – LDI Licence of US \$ 500,000/- (or equaling Forex value in PKR), and
 - (iv) Initial fee – Radio Frequency Spectrum, for a requested block in a Designated Band (as defined in section 52 below) in the amount identified in the relevant spectrum information sheet in Annex F.
- (d) For Applicants for LDI Licence, a completed Stand by letter of credit in favour of the Authority. (See Annex C)
 - (e) Certificate of Incorporation of the Applicant and its Memorandum and Articles of Association;
 - (f) Names of the Directors of the Applicant, and relation of each Director to any other Operator licensed by the Authority or any other Applicant for a Licence;
 - (g) Shareholders of the Applicant, including details of each shareholder's equity ownership;
 - (h) Names of each Affiliate of a shareholder of the Applicant, where the Affiliate is an Operator or an applicant for a Licence, and description of the relation to the Applicant;
 - (i) Copies of National Identity Card (for Pakistani national) / Passport (foreign nationals) and other antecedents of the Directors and authorized representative of the company.
 - (j) 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 licences/transactions
- (k) Applicant's National Income tax number;
 - (l) Certificate on original letter head from the Group/Joint venture/Consortium members that they are the participants for LL/LDI licence in Pakistan through the applicant company.
 - (m) Certificate of good standing with the fiscal administration;
 - (n) Resolution of the Board of Directors of the Applicant authorizing the individual who submits and signs the Application. (See Annex B);
 - (o) Special Power of Attorney by the Applicant authorizing the individual who submits and signs the Application. (See Annex B);
 - (p) 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 roll-out scenario projected at 18 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 Licence requests blocks in alternative radio bands in a Region, the Applicant must provide the information described in (p)(ii), (iii), (iv) and (q) 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.

41. Eligibility Criteria

41.1 The following are the eligibility requirements for a Licence:

41.1.1 The Applicant shall be an incorporated or registered company in Pakistan under the Companies Ordinance, 1984 .

41.1.2 The Applicant submits all the documents included in the checklist in Annex A.

41.1.3 The Applicant submits all required initial fees to the Authority by the applicable deadlines referred to in this Information Memorandum.

41.1.4 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.

42. Grounds for Disqualification

42.1 The Authority shall disqualify Applications and return them the Applications for any of the reasons set out below:

- (a) Failure to submit a complete Application in accordance with this Information Memorandum.
- (b) Failure to satisfy the Eligibility Requirements in section 41.
- (c) Failure to comply with any of the procedures or other requirements established by this Information Memorandum.
- (d) Inaccuracy or misrepresentation of any facts in any part of the Application.
- (e) Illegal conduct in the Application process or improper attempts to influence the evaluation of Applications.
- (f) Pro forma financial statements (5 year) show capital structure with less than 20% equity component at any time.
- (g) 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.

43. Subsequent Disqualification

43.1 If evidence of any corrupt practice of fraudulent practice, as defined above, is disclosed after the Licence has been granted, the Authority may revoke the Licence 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 Government of Pakistan or the Authority.

44. Submission of Applications

44.1 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 Licence (as the case may be)
- (b) Name of Applicant
- (c) Local contact name, telephone, fax and e-mail

44.2 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.

44.3 Upon receipt, the Authority will provide a written receipt confirming the delivery of each Application received.

45. Information Provided by the Authority

45.1 The information contained in this Information Memorandum and any other information provided to Applicants during the Application process, in writing, is intended to assist Applicants in the preparation of their Applications.

45.2 The Authority has made and will continue to make commercially reasonable efforts to include accurate and current information in this Information Memorandum and in any other documentation provided to Applicants and potential Applicants. However, neither the Authority nor any of its 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 encouraged to undertake their own verification of any information supplied by the Authority prior to use of or reliance on that information.

46. Communications

- 46.1 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.
- 46.2 All deliveries, notices or other communications made by Applicants to the Authority in connection with the Application process shall be sent by fax, E-mail or personal delivery to the Authority's address for correspondence specified in section 3.1 above.
- 46.3 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.

47. Confidentiality of Applications

- 47.1 The Authority shall treat all Applications received in relation to this Information Memorandum as confidential during the period before the award of Licence, except that the Authority may disclose requested radio frequency spectrum assignments to other Applicants if, and at such time as, the Authority requests .
- 47.2 After the Licence 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.
- 47.3 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.
- 47.4 The confidentiality of information mentioned under section 47 shall be subject to Law.

48. Cost of Application

48.1 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.

49. Modification of the Conditions of the Licences

49.1 The Authority in its discretion may modify the conditions of the Licences as set out in the Draft Licences in Annexes G and H of this Information Memorandum before issuance of the Licence.

50. Reservation of Rights

50.1 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 Government of Pakistan.

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

50.3 Neither the Government of Pakistan nor any of its 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.

51. Legal and Formal Requirements

51.1 Governing Law - This Information Memorandum and any Licence issued pursuant to the process announced herein shall be exclusively subject to, and interpreted in accordance with, the Laws of Pakistan.

51.2 Language - The Licence 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

52. Assignment of Radio Frequency Spectrum

52.1 At the time of issuance of this Information Memorandum, the following radio frequency spectrum bands are available to prospective licensees:

Radio Spectrum Band (MHz)		Frequency Forward Link	Available Bandwidth (Tx + Rx) MHz	Technology	Proposed Service	Remarks
Reverse Link	Forward Link					
452.5 – 457.475	462.5 – 467.475		1.25 x 3 + 1.25 x 3 (5+5; 1 block available)	CDMA	WLL	Only 2 carriers available in regions WTR, MTR, CTR, STR-I, STR-5 & NTR-II. All the 3 carriers available for rest of Pakistan.
479.0 – 483.48	489.0 – 493.48		1.24 x 3 + 1.24 x 3 (5 + 5; 1 block available)	CDMA	WLL	
1880 – 1885	1960 – 1965		1.25 x 3 + 1.25 x 3 (5 + 5; 1 block available)	CDMA	WLL	Shall be available if not used for CMTS
1890 – 1895	1970 – 1975		1.25 x 3 + 1.25 x 3 (5 + 5; 1 block available)	CDMA	WLL	
3.4 – 3.6 GHz			3.5 x 21 + 3.5 x 21 (7 block of 10.5 + 10.5 available)	CDMA / TDMA	WLL/ Broadband FWA	
3410 – 3497.5	3510- 3597.5					
10.15 – 10.16 GHz			1.75 x 85 – 1.75 x 85	TDMA	Broadband FWA/ Fixed Links	
10150 – 10300	10501 – 10650					
24549-	25557-		28 x 30 + 28 x	LMDS	Point-to-	

25389	26397	30		Multipoint Broadband Applications	
4, 5, 7, 18 GHz				Point –to- Point Applications	Adequate BW available.

- 52.2 The bands at 450 MHz, 479 MHz, 1.9 GHz and 3.4-3.6 GHz are expected to generate significant demand by Applicants for LL Licenses. These bands are referred to as the “Designated Bands”. Annex F 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 I, with its Application.
- 52.3 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 roll-out information in respect of each such band. See section 40.2 above. 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 I, 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.
- 52.4 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.
- 52.5 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, non-discriminatory, open and competitive process.
- 52.6 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, as described below. 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.

- 52.7 The Authority expects to conduct the auction for all blocks and Regions within a single Designated Band according to the schedule to be notified by the Authority. The Authority expects to auction different Designated Bands sequentially, in the following order: 1.9 GHz, 450 MHz, 479 MHz, 3.4-3.6 GHz.
- 52.8 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 Applicants 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, non-discriminatory, open and competitive manner.
- 52.9 Bidding shall take place Region by Region.
- 52.10 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.
- 52.11 The Authority shall maintain a list of bid amounts and respective bidders.
- 52.12 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.
- 52.13 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.
- 52.14 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 52.14 shall apply to the bidder that bid the next highest amount.

- 52.15 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.
- 52.16 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.
- 52.17 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 Fees – Spectrum in respect of the non-awarded blocks in other Designated Bands in the Region that the Applicant had applied for.
- 52.18 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 Licence, and its Affiliates, shall not be awarded more than one block in one Designated Band in a Region.

52.19 The currency for bidding shall be Pak rupees.

Annexes

A. Checklist

B. Application

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

C. Form for Standby Letter of Credit

D. Telecommunication Regions of Pakistan

E. Initial PTCL Interconnection Pricing

F. Radio Frequency Spectrum Information Sheets

- 1) 3.4-3.6 GHz
- 2) 1.9 GHz
- 3) 479 MHz
- 4) 450 MHz

G. LL Licence

H. LDI Licence

I. Radio Frequency Spectrum Request Form

J. PTCL transit exchanges expected to be ready for interconnection at June 2004

K. PTCL exchanges expected to be ready for carrier pre-selection at June 2004

L. PTCL Network and Infrastructure Report

M. De-Regulation Policy for the Telecommunications Sector

N. PTA Approved Co-location Rates