

Consultation on Long Distance & International Licensing in Pakistan



As per Telecom Policy 2015, Pakistan Telecommunication Authority (PTA) has undertaken assessment of market absorption capacity for new licensing in LDI sector. PTA is of the view that the LDI sector offers a number of opportunities for new investors that can be channelized for further development of the sector. In this regard, the consultation paper intends to seek feedback of all stakeholders for further LDI licensing in Pakistan.

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Introduction

With the announcement of Telecom Policy 2015, PTA as a sector regulator is entrusted with successful implementation of the tasks specified under broad objectives and definite targets. Under the Policy, current licensing regime will continue to apply. However, PTA will conduct assessment of market absorption capacity and any new licensing in Long Distance & International (LDI) will be subject to such assessment.

In this paper, LDI sector has been assessed for new licensing in Pakistan. Over the years, the performance of LDI sector could not meet the desired expectations in terms of development of necessary infrastructure. However, the strength of the sector cannot be undermined as it holds number of opportunities for existing as well as potential LDI operators. Therefore, PTA is of the view that further licensing may bring investments for establishment of OFC network, undersea cables and cross boarder connectivity. In this regard, all stakeholders are requested to give their feedback on the issues highlighted in this paper for consultation.

Overview of LDI Sector

Pakistan telecommunication sector had monopolistic structure till 2003 where Pakistan Telecommunication Company Limited (PTCL) was the only telecom service operator providing fixed local loop, long distance and international connectivity. In 2003, the Government of Pakistan issued De-Regulation Policy and opened the fixed line sector to technology neutral licensing with license terms of 20 years for fixed line operators under an open licensing regime. Resultantly, 23 companies showed interest in acquiring LDI license out of which only 19 were qualified. After short listing and scrutiny, only 12 national and multinational companies deposited initial license fee and fulfilled other requirements. After award of licenses, these companies gradually started their operations. Two additional licenses were awarded in 2006 to Multinet and Wateen Telecom. Thus by 2006, there were 14 LDI operators in the county in addition to incumbents PTCL and NTC.

In March 2006, the Cabinet Committee on Regulatory Bodies (CCRB) imposed watch hold on further issuance of Mobile, LL, and LDI licenses for seven years. The watch hold expired on 22nd March 2013 and resultantly, LDI license was issued to CMPak LDI.

By 2005, the sector became very competitive and offered very low tariffs for national and international long distance calls. A number of international operators showed

interest in LDI sector by investing in LDI companies. In this regard, QTel bought Burraq Telecom and Worldcall shares were bought by Omantel. PTA along with Government of Pakistan also kept facilitating LDI sector by requiring PTCL to provide mandatory interconnection and leased media to new LDIs.

Currently, there are 16 LDI operators providing LDI services in Pakistan, including the incumbent operators PTCL and NTC. Majority of LDI operators are mainly focusing on termination of international incoming traffic based on leased transmission facilities.

Licensing in Fixed Line Sector

Existing Regime in Pakistan

Currently there are three (3) types of licenses in fixed-line services (FLL, WLL & LDI). In addition, Telecom Infrastructure Providers (TIP) licenses authorize establishment of telecom infrastructure. These licenses are awarded either for nationwide service provision or for region-wise service provision.

LDI license authorizes the licensee to establish LDI (Long Distance and International) network facilities, and to offer LDI services, anywhere in Pakistan. LDI service covers the provision of end to end communication between points that are located in different regions, not in the same Local Calling Area, or located more than 25/35 Km apart and located in Pakistan with other end located outside Pakistan. Presently, Initial License Fee (ILF) of LDI is US \$ 500,000 and there are 16 LDI operators in Pakistan.

LL (Local Loop) can be either fixed or wireless (spectrum auctioned) and its scope is to establish local network facilities in the licensed region and to provide basic public telephone access and other telecommunication services in that particular region. Fixed Local Loop (FLL) services cover access to the Public Switched Network and allow users to make and receive telephone calls and use of data. So far, a total of 131 FLL licenses have been issued to 26 companies. The ILF for LL licenses is USD 10,000 per region.

Telecom Infrastructure Providers (TIP) license authorizes the licensee to establish and maintain the infrastructure facilities (Earth Stations, OFC, Radio Communication links, Towers, Poles etc.) in Pakistan to lease, rent out or sell end to end links to telecom operators licensed by PTA. The ILF for TIP license is USD 100,000. There are 14 TIP licensees.

LDI Licensing in Regional Countries

Sri Lanka

The Sri Lankan government has kept the LDI licensing open as it has a ten year plan to promote foreign and local investments in the telecom sector. Telecommunications Regulatory Commission of Sri Lanka (TRCSL) currently issues open licenses on a ten (10) year term for international long distance. A sum of \$50,000 or equivalent in local currency (Sri Lankan Rupee) is required for the acquisition of an LDI license in Sri Lanka. Currently there are seven (7) LDI operators among which five (5) operators have also cellular mobile licenses and 3 operators hold fixed local loop license.

India

The Telecom Regulatory Authority of India (TRAI) has an open licensing regime for International Long Distance (ILD) services. There are currently 32 ILD licensees in India. ILD licenses are issued for a period of 20 years. The applicant company for an ILD license in India is required to have a net worth of 25 crore Indian rupees, and a net payment of 25 crore Indian rupees as a onetime entry fee. In addition to entry fee, the annual licence fee shall be 15% of the Adjusted Gross Revenue (AGR) inclusive of USO levy.

Bangladesh

In 2008, the Bangladesh Telecommunications Regulatory Commission (BTRC) awarded licenses for two Interconnection Exchanges (ICXs), three International Gateways (IGWs), and one International Internet Gateway (IIG) through an open auction. The incumbent operator i.e. BTTB was also awarded the above-referred licenses. Later in 2010, BTRC issued International Long Distance Telephony Service Policy. As per the framework, all voice calls including VoIP will be routed (Terminated to and Originated from Bangladesh) through ICXs and IGWs. Domestic inter operator voice call services will be routed through ICXs. In 2012, BTRC awarded licenses for twenty one ICXs, twenty two IGWs, and thirty IIGs. The term of license of IGw is 15 years and ILF is Taka 15 crore.

Development of Infrastructure by LDIs in Pakistan

Optic Fiber Cable (OFC)

Most of the LDIs in Pakistan are doing business of buying and selling of international minutes and have not invested in the physical infrastructure rollout which includes OFC, transmission facilities, earth stations, undersea cables, cross-border connectivity

etc. The existing LDI license conditions also provide an option to LDI operators to lease transmission facilities from another party instead of deploying their own physical network. Therefore, most of the LDI operators have entered into leased agreements with other LDI operators regarding infrastructure deployment.

Apart from incumbent operators i.e. PTCL and NTC, only three LDIs namely Wateen, Multinet and LinkDotNet have deployed their own OFC network as detailed below.

Table 1: Operator-wise Status of Leased / Deployed OFC

	Company Name	Length (kms.)	Capacity (Mbps/Gbps)
1.	REDtone Telecommunication Pakistan (Pvt.) Ltd.	Leased from PTCL	398 Mbps
2.	Telecard Ltd.	Leased	NA
3.	ADG LDI (Pvt.) Ltd.	Leased	NA
4.	Wise Communication Systems (Pvt.) Ltd.	Leased	NA
5.	Dancom Pakistan (Pvt.) Ltd.	Leased from Wateen	NA
6.	Wi-Tribe Pakistan Ltd.	Leased from LDN	412Mbps
7.	Telenor LDI Communications (Pvt.) Ltd.	Leased from Multinet	800 Gbps
8.	Circle Net Communications (Pakistan) (Pvt.) Ltd.	Leased from Wateen , Multinet and NTC	NA
9.	4B Gentel International (Pvt.) Ltd.	NA	NA
10.	Worldcall Telecom Ltd.	Leased from PTCL	8.1 Gbps
11.	CMPak LDI Ltd.	Leased from Wateen, LDN and PTCL	40x10 Gbps
12.	Wateen Telecom (Pvt.) Ltd.	13,335	30 Gbps
13.	Multinet Pakistan (Pvt.) Ltd.	7,003	12.5 Gbps
14.	LINKdotNET Telecom Ltd.	10,945	200+ Gbps
15.	Pakistan Telecommunication Company Ltd. (PTCL)	14,784	160x10 Gbps
16.	National Telecommunication Corporation (NTC)	4,297	20 Gbps

Submarine Cable Landing Stations

Currently there are 6 submarine cables connecting two landing stations in Pakistan namely SEA-ME-WE 3, SEA-ME-WE 4, SEA-ME-WE 5, I-ME-WE, AAE-I and Transworld-1. In a span of over 14 years, only 5 additional undersea cables could be connected to Pakistan. It was expected that with deregulation of LDI sector, the number of undersea cables would increase reasonably to meet the ever increasing demand of

data services and to provide redundancy and provision of cross-country connectivity to neighboring countries. However, Multinet is the only LDI operator which is in the process of establishing SRG-I at Gwadar.

Looking at regional countries, Pakistan with its geo-strategic position has the lowest number of connectivity with undersea cables, thus placing at a disadvantage in regional telecom markets.

Table 2: Undersea Cables in Regional Countries		
Sr. No.	Countries	No. of Undersea Cables
1.	India	17
2.	Singapore	23
3.	Malaysia	20
4.	Thailand	10
5.	Taiwan	11
6.	Japan	20
7.	Pakistan	6

Source: <https://www.submarinecablemap.com/>

SWOT Analysis

Strengths	Weaknesses
<ol style="list-style-type: none"> 1 Deregulation of Approved Settlement Rates (ASR) 2 Zero Access Promotion Charges 3 Increased Revenues 4 Improved Financial Standing of the existing LDI operators 	<ol style="list-style-type: none"> 1 Less investment in international connectivity platforms (Submarine cables/ OFC) 2 Performance bond obligation for rollout didn't meet its objective
Opportunities	Threats
<ol style="list-style-type: none"> 1. Establishment of Undersea Cables 2. Laying of Optic Fiber Cable 3. Cross-country connectivity 4. Availability of Backhaul network for Mobile networks in un-served areas 	<ol style="list-style-type: none"> 1. Rapid takeover of Over the Top Services 2. Reduction of Interconnection Circuits by some operators 3. Multi-licensed Operators (Mobile, LDI, LL) competitive edge over new entrants 4. Taxes on international incoming calls

Issues for Consultation

Following issues are being circulated to the industry for consultation so that the same can be incorporated in the new LDI license:

- 1) New LDI licensee will deploy a minimum of 8,000 kms of OFC as per ITU standards throughout Pakistan within eight years. Furthermore, 25% of OFC will be deployed in un-served and under-served areas.
- 2) New LDI licensee at its own or through a consortium of LDI(s) would be required to participate in new undersea submarine cable(s) to establish new landing point(s) other than Karachi within ten years.
- 3) New LDI licensee would set up cross-border link with at least one country within 5 years of issuance of license.
- 4) New LDI applicants will be required to acquire new LL licenses for at least two under-served LL regions as mandated by PTA with at least 400 subscribers in each region.
- 5) New license conditions would be applicable on existing LDI licensees upon their renewal.