De-Regulation Policy for the Telecommunication Sector

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CONTENTS

Telecommunication De-Regulation Policy

1. Economic Landscape:

1.1 Located in South Asia, Pakistan is one of the major regional economies and among the 10 most populous countries in the world with a population base of 146 million. The country is nearly four times the size of United Kingdom, and has India, Afghanistan, Iran and China as its neighbours. The economy of Pakistan is primarily driven by agriculture, which accounts for the largest share of GDP, contributing about 25% to the economy. Pakistan is one of the world's largest producers of raw cotton, which serves as the input to drive the textile industry - the mainstay of industrial activity in Pakistan. Pakistan's per capita income per annum is about US $ 492.

1.2 The Government is committed to revitalizing the economy and to demonstrate its commitment to business friendliness through internationally acknowledged fiscal policies, good governance and transparency in managing Government affairs.

1.3 Telecommunication de-regulation policy ("Policy") has been prepared in line with Government's objective to de-regulate and liberalize various sectors of the economy. The Policy applies to opening up of the fixed-line telecommunication sector. The exclusive rights of Pakistan Telecommunication Company Limited ("PTCL") to provide basic telephone services (local, long distance, international and leased line services), which it enjoyed under The Pakistan Telecommunication (Re-Organization) Act 1996 ("Telecom Act 1996"), have expired since 31st December 2002.

2. Telecommunication Sector of Pakistan in 2003

Pakistan has made steady progress in expanding telecommunication networks and services in recent years. Key features of the present telecommunication infrastructure in Pakistan are:

2.1 Pakistan Telecommunication Company Limited ("PTCL")

2.1.1 PTCL is the incumbent service provider for provision of fixed line telecommunications. Established as public limited company in 1996, PTCL is 88% owned by the Government of Pakistan. It has shown impressive growth in the past 5 years and manages a well-developed domestic telecommunication infrastructure of 4.85 million access lines (June 2003), nationwide fibre-optic backbone and international communication through sub-marine cable (SMW3) and satellite links.

2.1.2 PTCL has installed more than 1.5 million new telephone lines since June 1997. As a result, teledensity (defined as the number of operational telephone lines as a percentage of population), at about 2.7%, has increased by 6% per year.

2.1.3 The telecommunication network is almost entirely digital.

2.1.4 As a result of tariff rebalancing program initiated by the Government in 1997, the prices of long distance and international calls have been significantly reduced in recent years.

2.2 National Telecommunication Corporation ("NTC")

2.2.1 National Telecommunication Corporation was formed in 1996 in order to meet telecommunication requirements of Government and Defence Forces. It has nationwide presence with a network of 72,000 customer access lines and nationwide fibre-optic backbone infrastructure.

2.3 Special Communications Organization ("SCO")

2.3.1 The Government created SCO in 1976 and gave it the task of installing and maintaining telecommunication facilities in the entire Azad Jammu and Kashmir and Northern Areas. SCO operates a network of 60,000 lines in its territory.

2.4 Cellular Mobile Telephony

2.4.1 Cellular usage is growing strongly after the introduction of Calling Party Pays ("CPP") regime in the year 2000. Currently, four operators (2 GSM, 1 D-AMPS, 1 AMPS) provide service to over 2.2 million cellular subscribers all over the country. The number of subscribers has more than tripled in the past two years.

2.5 Internet Services

2.5.1 More than 70 active Internet service providers provide Internet access, which is accessible in more than 1400 cities and towns. Low Internet access charges have encouraged Internet usage and acceptance by the Pakistani public. Internet services are accessible at a cost of unit local call without discrimination of distance, in most parts of the country. Low-priced data communication services are available to companies in the information and communications technology sector in order to encourage these companies to establish and grow in Pakistan.

2.6 Role of Other Private Sector Operators

2.6.1 Private sector operators have played a very important role in developing the value added services market in Pakistan. Their key achievement is installation of over one hundred and twenty thousand pay phones and public call offices in addition to operations of value added services, premium rate calling systems and so forth. Some private sector service providers have deployed fibre optic infrastructure in main cities to provide 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.

2.7 Regulatory Perspective

2.7.1 Efforts to develop a fully competitive market in telecom sector were initiated in the early 90's. The Pakistan Telecommunication (Re-organization) Act was promulgated in 1996. Pakistan Telecommunication Authority ("PTA") – the industry regulator, was established to regulate the telecom industry. PTA is a fully functional organization and has played a key role in developing private sector's role in telecommunication services.

2.7.2 Frequency Allocation Board ("FAB") is an independent organization entrusted with the responsibility of allocating and assigning frequency spectrum to Government, telecom system / service providers, broadcasting operators and private users of wireless systems. It operates within the provisions of Telecom Act of 1996 and the guidelines / recommendations laid down by International Telecom Union (ITU).

3. Policy Objectives

The policy is designed to achieve the following objectives:

a. Increase service choice for customers of telecommunication services at competitive and affordable rates
b. Promote infrastructure development, especially infrastructure that will increase teledensity and the spread of telecommunication services in all market segments (including voice, data and cellular etc)
c. Increase private investment in the telecommunication sector and encourage local telecom manufacturing / service industry
d. Recognizing the challenge to incumbent, minimize exposure to the Government's revenue base in the short term

e. Accelerate expansion of telecommunication infrastructure to extend telecommunication services to un-served and under-served areas
f. Liberalize the telecommunication sector by encouraging fair competition amongst service providers
g. Maintain an effective and well defined regulatory regime that is consistent with international best practices, and;
h. Maintain consistency with Pakistan's IT and Internet promotion policy of low prices for bandwidth to make Internet access affordable.
i. Safeguard Pakistan's national and security interests

4. Number and Type of Fixed Line Telecommunication Service Licenses

1. It is proposed that there will be two types of licenses for fixed line operators:

- Local loop ("LL") fixed line telecommunication within a PTCL region
- Long-distance and international ("LDI") fixed line telecommunication

2. Local Loop Licensing:

Entry to Local Loop market will be unrestricted and open. Any person who requests for a license, and meets the licensing requirements, will be eligible to get a license on payment of the prescribed fee which will be set at the Pak rupee equivalent of **US$ 10,000** for a LL license.

3. LDI Licensing:

Entry to LDI market will be unrestricted and open. Any person who requests for a license, and meets the licensing requirements, will be eligible for a license on payment of prescribed fee, which will be set at the Pak Rupee equivalent of **US$ 500,000**. In order to ensure that only serious players enter the market under this regime, stringent requirements of technical and financial capabilities, experience and rollout will be incorporated in the licensing documents. The decision of award of license will be preceded by an open, public hearing process.

4. A company can hold both (LL / LDI) types of licenses.

5. Existing licensees of telecommunication services in Pakistan would be permitted to retain their current licenses or O&M agreements with PTCL. They may compete for a new Long Distance International or seek a Local Loop license.

6. Tariffs of both types of licensees (LL / LDI) will not be regulated by PTA until they attain SMP status. However, PTA has the right to regulate tariffs in case of evidence of unfair and burdensome pricing to consumers.

4.1 Rights of the Licensees

4.1.1 Licensees will have the right to contract for the "Right of Way" (RoW) they need to construct their networks, subject to conditions laid down by the concerned agencies.

4.1.2 Entities (for example, those in the power, gas, water and rail transport sectors) besides PTCL, with suitable land holdings, will be encouraged to provide access to Rights of Way, subject to availability, on non-exclusive basis.

4.1.3 LDI licensees will have the right to non-geographic numbering ranges, and will also be allocated short codes for operator services. They will also be issued a four digit Access Code of the type "XXXX", to allow Indirect Access (call-by-call carrier selection) by incumbent's customers.

4.1.4 LDI licensees will have the right to sub-lease half-circuit capacity on the SEA-ME-WE-3 submarine cable system on non-discriminatory prices under commercial arrangements. In the event of capacity shortage on the system, PTCL shall allocate a minimum proportion of the total capacity employed for voice circuits to new entrants.

4.1.5 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 earth stations. They will have the right to co-locate in PTCL's international exchange buildings, and backhaul to and from them using their own fibre and / or own radio spectrum, where practicable. Licensees will have the right to participate in future landing points for new submarine cables. Access by licensees to PTCL's satellite earth stations will be on commercially negotiated terms between PTCL and the licensees, subject to PTA monitoring.

4.1.6 LL licensees will have the right to geographic and non-geographic numbers, as well as short codes (for example, for operator services). PTA will be the number issuing authority. PTA will organise and manage numbering in order to ensure contiguous numbering for new entrants, wherever practicable. PTA will set a nominal charge for numbering to discourage misuse, and a procedure for taking back numbering ranges not used within a reasonable period of time.

4.1.7 LL licensees will have the right and, be exempted from the requirement to offer Indirect Access (carrier selection) to their subscribers, until such time as they enjoy Significant Market Power (SMP) as determined by PTA.

4.1.8 Both types of licensees will have the right to co-locate in PTCL local and transit exchange buildings, and to connect their own fibre and own radio links to PTCL buildings.

4.1.9 There will be no obligation on licensees to open ducts, poles or other such facilities to competitors until they enjoy Significant Market Power.

4.1.10 LL licensees who opt for wireless solutions may provide limited mobility within a cell, but not beyond local call charging radius. No inter-cell handovers and roaming to other networks will be allowed.

4.2 Obligations of the New Licensees for Fixed Line Telecommunications

4.2.1 LDI Licensees

LDI licensees will have the following key obligations:

a. Start roll-out by building at least one Point of Interconnect in five of PTCL regions within one year of award of license and in all thirteen PTCL regions within 3 years.

b. The licensees will be permitted to lease infrastructure from PTCL or any other infrastructure owner on mutually agreed commercial terms, non-discriminatory to other licensees seeking the same facility. The licensee must own a proportion of the transmission system and cables comprising its network. The proportion will be 10% in year 1, rising to 30% in year 2 and 50% in year 3 measured in 2 Mbit/s x km. A long-term lease of 5 years or more will be acceptable in lieu of ownership. The licensee will provide a performance bond of **US $ 10 million** in respect of infrastructure and roll-out targets in the form and substance acceptable to the Government and provide incoming and outgoing interconnection services, both for voice and data traffic, to all who may request it.

4.2.2 LL Licensees

LL licensees will have the following key obligations:

a) Start operations with building and operating one Point of Interconnect within the prescribed period and in each licensed PTCL Region where they operate (*"Points of Interconnect" are premises at which other licensed operators can send to or receive from the LL licensee voice or data traffic originated by or destined for the LL licensee's customers*) at acceptable technical and quality standards.

b) In the event that another licensee considers that an LL licensee's termination prices are inappropriate, PTA has the power to resolve the dispute and impose cost-based prices.

c) Provide free of cost directory assistance services to its own customers, access to emergency services, operator assistance and any other similar support services as required by PTA.

d) LL licensees will not be permitted to carry voice calls between PTCL Regions (other than metro regions) or long distance / international traffic. They may carry voice calls between municipalities, but only within a single region.

4.2.3 Both Licensees

4.2.3.1 Both types of licensees will be required to provide regular reports to PTA on quality and network implementation. These will include, but will not be limited to, the number of voice lines and revenues from line rentals. They will also provide details of revenues and minutes from local, long-distance and outgoing / incoming international calls separately. LL licensees will file separate reports for each PTCL region in which they operate.

4.2.3.2 Both types of licensees will be penalised for failing to (a) meet license obligations, (b) make use of allocated radio spectrum. If no roll-out is made within eighteen months of grant of license, it may result in cancellation of license and / or withdrawal of allocated radio spectrum. In addition, the licensees may be obliged to provide all services as may be mandated to achieve defined policy objectives.

4.2.3.3 Both licensees shall meet the requirements of authorized security agencies for interception of calls and messages as detailed in the Telecom Act 1996. Further, the Government of Pakistan would have the right to cancel any license to safeguard national security interests.

4.2.3.4 Licensees will pay to PTA a fixed annual fee, approved by the Government, to reasonably cover the cost of regulation. The annual fee shall not exceed 0.5% of last year's gross revenue minus inter-operator and related PTA / FAB mandated payments.

4.2.3.5 Licensees will devote 1% of gross revenue minus inter-operator and related PTA / FAB mandated payments to Research and Development Fund.

4.2.3.6 The Government believes that the success of market liberalization depends on the development of a fair competitive environment for all licensees. In this regard, PTCL and other SMP licensees that may emerge, shall be prohibited from abusing their dominant positions through anti-competitive conduct. At present, PTCL's license contains prohibitions against anti-competitive conduct. These prohibitions shall be updated, incorporated in the Rules and made applicable to all such licensees that are determined by the PTA to possess SMP.

4.2.3.7 PTA shall have the responsibility of promptly investigating allegations of anti-competitive conduct and taking remedial measures against such conduct.

4.3 Access Promotion Contribution

4.3.1 At present, net incoming international traffic generates a financial premium over the cost of conveying and terminating the traffic into Pakistan. Although historically this premium has been large, it has been steadily reducing, in-line with global trends.

4.3.2 As long as the premium continues to exist, a reasonable portion of the premium is proposed to be used to promote infrastructure expansion. The portion of the premium applied to promoting infrastructure expansion is referred to as the "Access Promotion Contribution" ("APC").

4.3.3 The design and implementation of APC program will be guided by the following principles:

a) The APC shall be used to foster new infrastructure development to increase teledensity.

b) The distribution of funds between LDI and LL licensees shall be done in a transparent and non-discriminatory manner.

c) The APC program shall be under the regulatory supervision of PTA, which shall also regulate international traffic agreements.

d) For the period leading upto policy review, the LDI licensees would be permitted to retain a fixed share (upto 6 US cents per minute) of termination charge paid by international carriers for termination of international incoming calls. The remaining amount called "Access Promotion Contribution" (APC) will be passed on to local loop licensees to encourage them to foster new infrastructure development and increase tele-density. In case of windfall profits (profits not in-line with telecom industry profitability trends) accruing to LDI licensees for factors not attributable to their efficient performance, PTA would have the right to intervene, in public interest, following a fair, transparent and open public process. After the policy review period, the sharing of revenues from incoming international calls, between LDI / LL licensees would be determined through a formula to be specified by PTA. The APC derived from the formula would be reviewed and notified atleast once every six months. Long Run Incremental Cost ("LRIC") based transmission / termination charges would form the basis of such formula.

4.3.4 The APC shall not be available to cellular operators. Premium of APC on current cellular termination rates would be mopped up and diverted to Universal Service Fund, with effect from a future date to be notified by the Government.

4.3.5 No LL licensee may claim APC payments without first actually delivering the telephone calls to the customer premises in respect of which it is claiming APC payment.

4.3.6 In order to secure the effective collection of APC, negotiations of bilateral accounting rates will be supervised by PTA, although it is expected that PTCL will lead the consortium of LDIs who would undertake negotiations on bilateral accounting rates with foreign carriers. The principle of "one country one rate" will be implemented. It will also be ensured that symmetry between incoming and outgoing international termination rates between carriers is maintained. All licensees will be obliged to file reports on the volumes, sources and destinations of international incoming minutes, and allow PTA to audit their call detail records and billing systems with the objective of detecting and eliminating fraud. The LDI licensees will also be obliged to provide real time, on-line traffic information for monitoring and mirroring of international traffic data, for PTA.

4.4 Radio Spectrum

4.4.1 Radio spectrum is a valuable public resource belonging to the State and must be used in the public interest. The FAB is responsible for properly managing radio spectrum.

4.4.2 Wherever possible and consistent with good spectrum management practices, licensees shall be required to share spectrum with other licensees.

4.4.3 Licensees shall relinquish rights to spectrum that is no longer needed for their operations, and allow sharing of the bands they currently occupy where such sharing is technically feasible, and subject to management by FAB of frequency re-use in the band in accordance with best international practices. Un-used spectrum allocated for operations of LL / LDI licensees may be withdrawn if the licensees fail to begin operations within eighteen months of award of radio spectrum. The Licensees may not assign, lease or sell the rights of use of spectrum allocated to them in the first place.

4.4.4 All entities using spectrum shall be charged a fee for spectrum. The fee will be approved by the Government of Pakistan and recovered by Frequency Allocation Board from users of frequency spectrum. The factors to be considered in setting fees shall include but not limited to coverage, scarcity and value of the spectrum. The spectrum will be allocated for a definite time.

4.4.5 Where demand exceeds available frequency spectrum, it shall be allocated by auction or other transparent, non-discriminatory, open and competitive process.

4.4.6 Pakistan plans to follow ITU specified radio frequency bands specific for the purpose of operations of WLL, point to point microwave and backbone / transmission services.

4.4.7 Information about available radio spectrum for telecommunication services would be placed in the public domain for the prospective users to apply for allocation on nation-wide or regional basis.

4.4.8 The FAB shall deal with the requests for radio spectrum, within the framework of Telecom Act 1996 and Rules thereunder, and process applications within a target of 30 days. FAB will streamline and proactively coordinate the process of site clearance for licensees who have been allocated frequency spectrum, to expedite rollout of wireless based networks.

4.4.9 LDI licensees will be entitled to radio spectrum (where available) for point-to-point / and backbone links, within the parameters of their licenses, on payment of spectrum charges.

4.4.10 LL licensees will be entitled to radio spectrum for WLL systems, and also spectrum for point-to-point links, where available, and on payment of spectrum charges.

4.4.11 LL and LDI licensees that receive spectrum shall meet defined usage milestones, failing which they must relinquish their rights to use the assigned spectrum.

4.5 Interconnection

4.5.1 Both types of licensees will have the right to interconnection, leased lines and co-location facilities from the incumbents. Pricing of the incumbent services will be determined in accordance with the notified Rules, and subject to monitoring by PTA.

4.5.2 Pending the development by PTCL of unbundled cost accounts of services that are approved by PTA, incumbent's interconnection prices shall be based on international benchmarks.

4.5.3 The initial interconnection prices will be notified by PTA by October 2003. Lead times for provision of interconnect facilities to new-entrants by PTCL (inter-alia) shall be set out in a "Reference Interconnect Offer" to be made available by PTA, and will be in accordance with international benchmarks.

4.6 Obligations on PTCL

4.6.1 In order to facilitate market liberalization, PTCL, within a stipulated time frame, is obliged to:

a) Prepare all transit and tandem switches for interconnection. Implement within six months after policy approval, all needed upgrades in the transit switches to the capacity orders submitted by new entrants. PTCL shall not be required to implement upgrades in respect of orders not accompanied by pre-payment of 3 months port cost. PTCL shall pay needed penalties in case of delay in providing ordered PoIs, to be determined by PTA.

b) Prepare 50% (measured by lines in service) of local Main Switching Units ("MSU") for interconnection within one year. The remainder to be done in two equal stages within the subsequent two years.

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.

d) Enable all subscriber lines to perform Indirect Access

e) Enable all subscriber lines to perform carrier pre-selection

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).

4.6.3 PTCL shall publish cost-based price for restoration, in the event of fault on the non-self-healing cable, to the same availability standards as it currently enjoys.

4.6.4 Unbundling of service and cost accounting information should be done based on the principles of transparency, orientation, and allocation based on activities and related cost drivers. They shall be sufficiently detailed to allow clear identification of (a) activities related to interconnection - covering both interconnection services provided internally and interconnection services provided to others; and (b) other activities, so as to identify all elements of costs and revenues. Details of the basis of their calculations and the allocation methods used shall be provided, including an itemized breakdown of fixed assets and structural costs. Sufficient records must be kept to allow independent audit of these cost accounts.

4.6.5 PTA will issue a "Reference Interconnection Offer" (RIO) to be used as the default interconnection offer for interconnection with PTCL pending determination of LRIC based pricing. PTCL can implement amendments to the interim RIO, subject to the prior approval of PTA.

4.6.6 PTCL shall continue to be obliged, until end 2008, to install exchanges and lines in rural / under-served areas at the same annual average rate as it achieved during the exclusivity period, and in any case no fewer than 83,000 new lines per annum. PTA will verify this on year-by-year basis.

4.6.7 Wherever PTCL faces competition and when the competitors price their services below the PTCL regulated rate, PTCL will be at liberty to offer discount in the region / area concerned to meet the challenges of competition.

4.7 Pricing Regime

4.7.1 PTA will continue to regulate PTCL's rates and services in the public interest, as per the notified Rules. As the market for particular services become effectively competitive, PTA shall reduce the regulatory burden on PTCL in respect of such services, while maintaining appropriate anti-competitive safeguards.

4.7.2 PTA will prepare detailed pricing framework for new fixed-line telephony licensees. PTA will also have the power to determine as to which of the licensees hold Significant Market Power (SMP). Licensees who are not SMPs will not be subjected to any tariff regulations. It may be noted that competitive telecom market may result in differential regional prices as against current uniform rates for various fixed-line services across the country.

4.7.3 Further, as already stated, under the APC regime, a significant portion of settlement rates for international traffic will be transferred to Local Loop licensees.

5. Universal Service

5.1 The Government has designed the market liberalization policy to maximize the commercial availability and coverage of telecommunication networks and services in Pakistan. The Government recognizes, however, that even with market liberalization, and under strict commercial considerations, there may exist certain populations or geographic areas that would remain un-served or relatively underserved. The Government's Universal Service policy is designed to ensure that these designated populations and geographic areas receive adequate service in a sustainable manner as resources permit.

5.2 The PTA is required under section 4(e) of the Telecom Act 1996 to "promote the availability of wide range of high quality, efficient, effective and competitive telecommunication services throughout Pakistan". In furtherance of the policy objective, the Government intends to amend the Telecom Act 1996 and Rules, as appropriate, to establish a Universal Service Fund ("USF").

5.3 The main financing mechanism to promote Universal Service in Pakistan will be the USF. The precise form and working of USF including USF rules will be determined by PTA with the approval of the Government.

5.4 The USF policy framework will be prepared and approved by the Federal Government. Once approved, it will be administered by PTA/Government. It shall include collection of the funds, within specified policy framework, from the licensees and disbursement within approved USF framework. The amounts and usage of the USF will be made public, and shall be subject to independent audit.

5.5 The USF will be used to finance the expansion of basic services (including access to the Internet), both on individual and community basis. Under USF rules, there will be a determination about the level and types of services to be financed by the USF, the designated populations or geographic areas eligible to receive subsidized services from the USF, and the level of available financing and actual subsidies.

5.6 Disbursement of USF funds shall be made through a transparent, non-discriminatory and competitive process.

5.7 The USF will be predominantly financed by revenues collected from all telecommunication licensees through a Universal Service Fund charge (the "USF Charge"). Premium of APC on current cellular termination rates would be mopped up and diverted to USF with effect from a future date to be notified by the Government. The USF may also receive contributions from the Government, and also funding from international or bilateral development agencies.

5.8 The USF Charge shall be paid by all licensees, licensed to provide basic telecommunication services, except those subject to roll-out obligations in lieu thereof. USF charge will be levied on new basic telecommunication services licensees after completion of first full year of operations and audit of operational results.

5.9 The USF Charge will be limited to a maximum of 1.5% of gross revenue minus inter-operator and related PTA / FAB mandated payments as determined by the Government.

6. Grant of Licenses

6.1 PTA shall prepare the requisite applications, license templates, information package and other necessary measures with the approval of Government to facilitate the licensing process. Issuance of licenses will commence as soon as possible after the approval of this Policy.

7. Cellular Mobile Operators

7.1 The Government recognizes that mobile cellular operators have an important role to play in sector development and improving access to telecommunication networks in Pakistan. There is evidence that some customers in Pakistan already rely on mobile cellular phones as an alternative to fixed line telephones. Moreover, the experiences in other developing countries show that mobile cellular technology can be cost effectively employed as an access solution.

7.2 The cellular mobile sector is already operating in a competitive scenario with four licensees providing cellular mobile services. At the time of award of existing cellular licenses, a liberal policy regime was followed and licenses were given to these operators to develop the market. Since the sector has matured over time, policy framework for additional licensing and enhancing competition in the cellular sector is under review. For the future, a uniform framework for existing and new cellular licensees addressing issues such as spectrum allocation and pricing, roll-out obligations, Quality of Service standards, license terms & conditions and performance benchmarks will be separately announced. Under the proposed new policy framework, in order to ensure that fixed line telephony licensees are not placed in a position of disadvantage, the cellular licensees would also be required to contribute towards R&D and USF funds in the same manner as fixed line licensees. The number of new licenses may be restricted due to limited availability of frequency resource. The present policy of nation-wide cellular mobile service licenses will continue.

8. Existing Organizations

8.1 Special Communications Organization ("SCO") will continue to operate exclusively in its territory as now.

8.2 SCO and NTC will have the right to continue with the existing revenue sharing agreements they have with PTCL and cellular operators. They are encouraged however, to migrate these revenue sharing agreements to interconnection agreements in accordance with this policy at the earliest practical time.

8.3 This policy will be without prejudice to the purpose specific licenses given to Government / Semi-Government and Autonomous organizations, but which will not allow them to become commercial operators without obtaining either an LL or LDI or both licenses from PTA under the approved framework.

9. Continuity of IT Policy

9.1 PTCL will be obliged to continue offering '131' Internet access as at present, and to continue to extend the service to PTCL exchanges not currently served, at the same average annual rate (measured in exchanges) as achieved during the exclusivity period.

9.2 New entrants will also be required to offer '131' Internet access services at standard '131' prices applicable to incumbents.

9.3 The Internet bandwidth prices will not be allowed to be increased from the current levels.

10. Policy Tenure

10.1 The Policy would be valid for five years from date of implementation and will be subject to review after this period. The licenses awarded to LL / LDI operators will be valid for 20 years.

11. Regulatory Changes

11.1 Appropriate changes in the regulatory framework would be made expeditiously to support the policy.

12. Technology Neutral Licensing

12.1 The policy and licensing regime are proposed to be technology neutral.

12.2 LL / LDI licensees may employ any technology such as IP, VoIP, DWDM, CDMA and so forth within flexibility of license.

13. Miscellaneous

13.1 Class licensing regime is proposed to be enforced based on templates to be approved as part of policy process.

13.2 Corporations that wish to establish intra-corporate networks will be facilitated. New operators and PTCL will be obliged to provide infrastructure and services for corporate networks at cost oriented prices.

13.3 Open regime will be enforced for companies desirous of providing value added services such as Broadband, pre-paid calling cards, premium rate services and the new value added services that become available.

14. De-Regulation Facilitation Unit

14.1 In order to facilitate the implementation of the de-regulation policy, a deregulation facilitation unit will be set up in the Ministry of Information Technology comprising of senior professionals. This unit would ensure that all actions in pursuance of the policy are being undertaken by agencies concerned and entrepreneurs are facilitated.