

Telecommunication Trends in Pakistan

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Abstract

Pakistan's telecommunication market is one of the world's fastest growing industry. The Telecom sector is growing at a pace of 170% yearly. Pakistan has a population of more than 160 million and the number of mobile phone subscribers are 78.73 million as of January 2008. According to Pakistan Telecommunication Authority (PTA), 2.7 million subscribers are added monthly (ntcpk n.d.), The PTA expects the number to cross 100 million users by 2010 (Johnson n.d.).

This paper presents Telecommunication trends in Pakistan with a focus on: one, the economic development, and development trends of Pakistan telecommunication industry, two, Communication Infrastructure, three, Mobile phone adoption, four market survey and analysis, and five the teledensity comparison of Pakistan with other South Asian countries.

1. Introduction

We are presently in the midst of an era of globalization and highspeed communication. Trends and means of telecommunication are changing fast which is having a positive effect on the overall economy of the country.

With a population of 160 million, a very high growth rate in the Pakistan Telecom sector represents a unique case study of a market that has confounded the predictions of experts.

The year 2005 was a major year for the transition of telecommunication industry in the Asian region especially for Pakistan, In mid 2005, Pakistan government sold its 26% stake in the country's top, fixed-line institution – Pakistan Telecommunication Company Limited (PTCL) to the Emirates Telecommunications Corporation (Etisalat) to further strengthen the deregulation process. Such economic reforms are driving the telecom industry to new heights. Since 2003, the Pakistan Telecommunication Authority (PTA) has awarded in excess of 200 mobile, fixed and long distance licenses to 50 companies. This has resulted in substantial increase in competition spanning a wide spectrum of telecom services and fuelled further by Etisalat's controlling share of PTCL. 2005 was the year when the 3G services became more popular and available. The notion of concentration-style network was acknowledged amongst telecom industry, enterprises and consumer markets. Although 3G services have been introduced in some Asian market, there is still a long way to go for 3G to become conventional.

Analysis shows that the telecommunication industry in Asian markets will grow fast with an annual average rate of 9.3 percent in the next five years. In Pakistan the progress and performance of the telecom industry had been slow from a long period of time. Things have now changed, Pakistan has now become one of the fastest growing Telecom market in the world.

2. Communication Infrastructure in Pakistan

The institutional and regulatory framework of the telecommunications industry has changed radically, over the past two decades. Public Telecommunication Operators (PTOs) have been fully or partially privatized in most of the countries. Regulations concerning access to telecommunication markets, provision of services to users and pricing mechanisms have been revamped. Telecom sector's contribution to GDP during 2004-05 was to the tune of Rs 115,026 million. The share of telecom sector in GDP has increased from 1.5% to 1.8% during the year 2004-2005. Given the rising pace of its growth the contribution of the telecom sector in GDP is likely to reach 3% in the medium-term, (dial to save n.d.).

The Pakistan Telecommunication Corporation Ltd. (PTCL) plans to increase the number of Internet connected cities from more than 400 currently to 800 within the current fiscal year. It is reported that the company will lay high-capacity optic fiber cable to extend the Internet coverage, and install 450,000 telephone sets for accessing the Internet. In addition, the company plans to improve various supporting telecommunication facilities to promote the quality of services for users. (ntcpk, 2008).

Business Monitor International (BMI) has ranked Pakistan as a key destination for telecom growth. It states that as a result of foreign investments, growth potential and good deregulation policies by PTA, the telecom industry in Pakistan has grown tremendously. A few months ago Pakistan was lagging behind Thailand but due to the political fallout of the coup in Thailand, Pakistan has move ahead in rankings. The overall consensus of the analysts is that Pakistan is one of the countries with huge untapped potential for telecom growth and an attractive investment environment (Syed, 2008).

2.1. Mobile Phone Adoption in Pakistan

It was in the mid-80's to mid-90's, that Data communications, Public payphones and mobile services

were first opened to the private sector in Pakistan. Mobile telephone services were introduced in Pakistan in 1989 after the initial launch with two AMPS operators, the initial estimation was that of an ultimate mobile potential of 300,000 subscribers, in 10 years time. By 1991 the number had reached 80,000. In 1991, mobile services sector was severely affected by their forced withdrawal from the main city, Karachi. According to 2006 statistics, teledensity across the country jumped from a mere 6.3% to over 23.7% over the precious year and is predicted to reach 30% by the years 2009-2010. This would signify an additional 30 million fixed and mobile telephone lines. In a population of 162.4 million (as of 2006), Pakistan had 5.37 million fixed telephone lines. However, within a year, mobile subscriptions surged to over 19.6 million, making this, as telecom experts assert, one of the most rapidly expanding mobile phone markets in the world.

These restrictions were lifted in 1994, and a third operator, on GSM, got the license in 1995. This led to a fast boost in subscriber's counts, and figures began to return to original targets (300k by 1999); In the year 2000 there was a massive reduction in import duties on telecom equipments, and lowering of the activation fees. This resulted in the doubling of the figures in 2001. In 2004/5, two more operators entered paying \$291 million each for the dispensation! The increase in competition led to a substantial reduction in call charges and an exponential increase in growth of the subscribers base in the telecom sector.

The telecom sector of Pakistan has seen an extraordinary growth in the last six years. From 1992 when there were only two operators namely Instaphone and Paktel (now China Mobile Pakistan) the country now boasts of six operators including Telenor, Warid, Ufone and Mobilink each competing neck to neck with each other which in turn has not only reduced the call charges but has also improved the quality of services. Presently, Mobilink enjoys a 50% subscriber base which is understandable because it is in its 16th year of service, Ufone and Telenor have around 18% subscription base, Warid 10% & and Instaphone and China Mobile Pakistan completing the rest of the numbers.

The impact of the growth of the economy on the telecom industry is also worth mentioning. From 1988 to the year 2000, Pakistan's economy went through several traumas; GDP growth, which had averaged about 6% for over 30 years, fell to less than 3% during the 90's. Things changed in the new millennium as the country's economy started to show healthy growth. Liberalization of telecom led to private operators laying submarine optic fiber for international connectivity, domestic long-haul fiber for IP backbones, developing wireless local loop in rural areas, and even building fiber networks for integrated telephony/DSL/video delivery in the bigger cities (Bhatti, 2008).

If we look into the revenue collection by the telecom sector, it has contributed over Rs. 45 billion to national exchequer. This contribution comprises 17% of total public sector development program. On the other hand, revenue and tax collection through import and sales of millions of cell-phones across the country has also contributed towards improvement in revenues for the government.

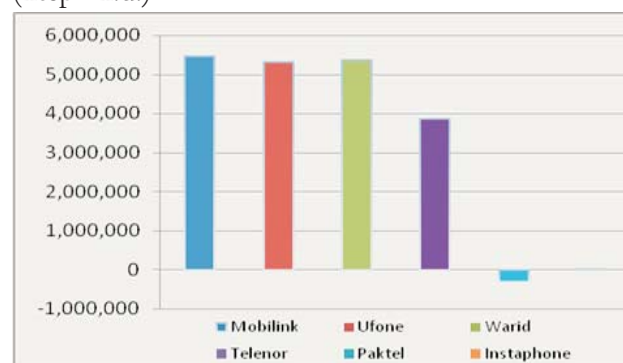
So the journey from monopolistic era to this competition age has proved to be fruitful in all aspects. Foreign investment, job creation, revenue growth and economic activities, everything has showed positive signs.

3. Market Survey & Analysis / Mobile Companies in Pakistan: Market Overview

In Pakistan mobile companies have played a vital role in promoting the growth in the Telecommunication sector.

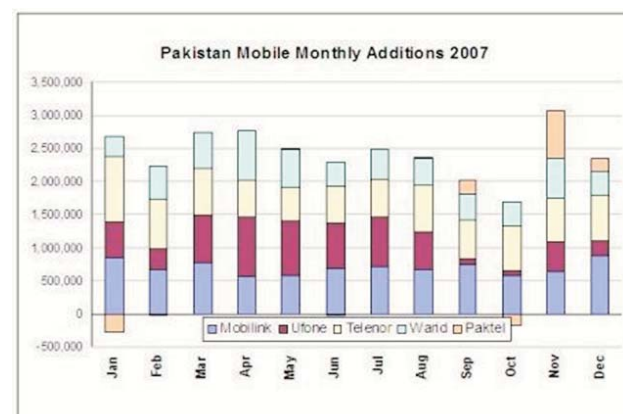
The telecom sector is said to be growing at a speed of 170 per cent yearly. Mobile subscribers are 78.73 million as of January 2008, according to Pakistan Telecommunications Authority (PTA), 2.7 million subscribers are added monthly. In fact Pakistan has the highest mobile penetration rate in the region. According to the PTA, continues to lead the market with 30.88 million subscribers, followed by (16.44 million), (15.35

million), (13.38 million), (2.35 million) and (0.32). (ntcpk n.d.)



Market survey of Mobile companies in Pakistan 2007

	Mobilink	Ufone	Telenor	Warid	Paktel	Instaphone	Total
January	853,304	539,666	982,373	300,813	-272,446	-9,373	2,394,337
February	653,305	329,560	737,301	510,102	-24,251	-5,337	2,200,680
March	766,904	711,060	726,232	530,768	2,099	-4,115	2,732,948
April	564,403	891,591	558,731	757,670	-6,438	16,099	2,782,056
May	581,689	828,994	504,946	561,351	28,119	0	2,505,099
June	671,441	696,276	566,853	344,904	-30,100	6,226	2,255,600
July	699,417	758,867	570,691	458,856	-51	2,971	2,490,751
August	663,757	563,757	709,786	405,144	10,862	105	2,353,411
Total Addition	5,454,220	5,319,771	5,356,913	3,869,608	-292,206	6,576	19,714,882
% Added	20%	35%	45%	34%	-28%	2%	79%
	28%	27%	27%	20%	-1%	0%	100%



Pakistan Mobile Monthly Addition 2007

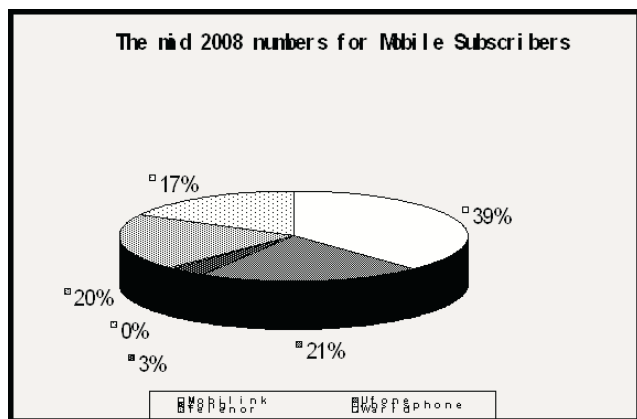
[<http://telecompk.net/?s=january>]

The year 2007 was an extraordinary year for the mobile market growth in Pakistan with the monthly additions averaging around 2.5 million subscribers. According to PTA statistics, Mobilink had 30.88 million customers

in January 2008. Mobilink, the Pakistani unit of Egypt-based telecom company Orascom, Mobilink gained the most subscribers (5.45 million) in 2007. Second was Norway's Telenor, a relatively new entrant with about a billion US dollar investment in Pakistan. Telenor was the fastest growing company in the telecom sector with 45% of their current subscribers (5.35 million) added during the period. Ufone, a wholly owned subsidiary of Pakistan Telecommunication Co. Ltd (PTCL), now under the control of Etisalat group of UAE with 22% of subscriber share gained 5.32 million new subscribers in first 8 months of 2007. Warid, owned by the Abu Dhabi group of the United Arab Emirates and sister of Wateen group also performed admirably.

Compared to the exemplary performance of the other players Paktel was faced with a negative trend of subscriber losses and was acquired by CMPak. (ntcpk n.d.)

After the acquisition of Paktel by China Mobile, it went through a process of rebranding. They launched a very successful camapgin "Zong" in Pakistan, which helped them in attracting a large number of new subscribers.



The mobile subscriber numbers for last few months tell an interesting story. Zong and Telenor have been growing at a brisk pace, at the expense of Mobilink and Ufone. Take a look at the April to May changes. Mobilink's share of market is down to 37%. There are many reasons to which we can attribute this trend:

decline in customer satisfaction, aggressive competition and market saturation. Perhaps this is one reason why Mobilink is trying to diversify through link dot net. Pakistan hit an amazing 60% growth in mobile phone adoption for 2007, tallying 77 million users by the end of that year. This amazing growth can be attributed this growth to marketing by big operators, as well as, falling prices for handsets, and affordable call rates.

For such a fast growing industry, mobile operators need to be constantly offering new and innovative value-added services such as Prepaid International Roaming, International MMS, Reduced International Call Rates, and EDGE-based data services. Considering that 3G networks are yet to be established in Pakistan, operators are optimizing services that can run on regular GPRS/EDGE networks. Telenor Pakistan's Mobile TV is one such offer. The service enables customers to watch TV content on their GPRS/EDGE-enabled handsets anywhere, anytime. This is a unique and innovative service in Pakistan, and at par with only a few other mobile operators in the region. Worldwide it is estimated that there are more than 120 networks that offer mobile TV commercially such as those in South Korea, Japan, India, UK, Ireland, Italy, and the US. In South Asia, Pakistan is the second country after India that has successfully launched the service. Market research in Pakistan has shown that there is increasing demand for mobile TV content that has a focus on national and international news, latest stock market reports, financial news, and entertainment. In addition, there is a huge potential for advertisers to reach out to a totally new market in a totally new way.

Pakistan's telecommunication industry - mobile communication in particular - has made impressive strides in the last few years after deregulation. However broadband growth in the country has been very disappointing - there are less than 100,000 broadband users in Pakistan. The open competition observed in mobile industry has not been replicated to broadband. Reasons include high prices, control of PTCL over bandwidth resources, policy issues, lack of infrastructure and legal disputes. Enter WiMAX. Simply stated, it's a relatively new standards-based wireless technology

which is intended for large coverage areas on the order of several kilometers (instead of a few hundred meters, as is the case with Wi-Fi). With base stations transmitting signals and some equipment at customer location, it promises fast bandwidth for both fixed locations and mobile users. In this backdrop, Pakistan made headlines in 2006 when Wateen announced plans to work with Motorola to rollout Mobile WiMAX, the largest network of its kind in the world. Almost 2.8m new mobile customers joined the ranks in Pakistan in the month of April - the second highest total ever recorded in the market, behind October 2006. (Mehsar, 2008).

4. Conclusion & Future of Telecommunication Industry in Pakistan

In today's market in Pakistan, the primary need is basic voice telephony and SMS (Short Messaging Service). There is immense demand for this service; at the same time there is a lot of potential that is still there to be untapped.

The market positioning will be extremely dynamic. Under these circumstances quality of service, marketing strategies, pricing, promotions and brand loyalties all will interplay and also have their individual impact.

Telecom market is progressing forward with high pace towards more and more technologically enhanced solutions based upon NGN, 3G, UMTS, IP/MPLS, ATM etc., data market which is expected to grow exponentially as compared to the voice market.

The government is taking Pakistan's telecom future seriously and has deregulated the sector. According to government officials and telecom industry analysts, the main beneficiaries of the revolution that is being witnessed by the Pakistan telecommunication industry are the consumers and businesses. As competition grows, all leading telecom players have reduced the tariffs and have improved the service quality. This, in turn, is giving the Pakistan economy a much needed boost. As Pakistan comprises of large cities and towns as well as thousands of little villages spread over virtually inaccessible terrain, the government is now lending its full support to all major telecom companies to increase reach and penetration of telecommunication services throughout the country. This, may not be an easy task, however, in view of the dramatic growth of Pakistan's telecommunication industry, this dream of nationwide connectivity is not impossible. Until then, the revolution in this critical sector of Pakistan's economy moves confidently ahead. (Mehsar, 2008)

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