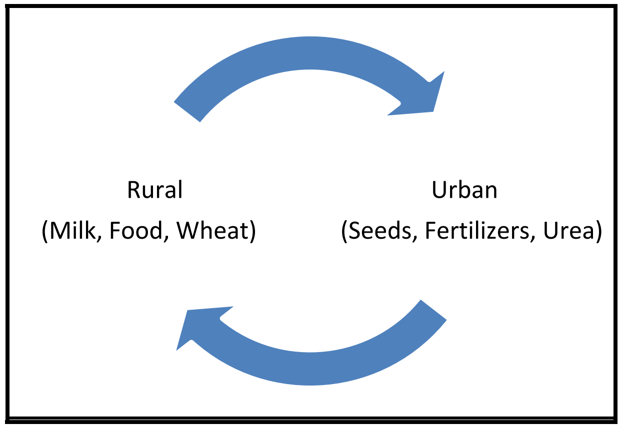
14 Transport and Communication

Transport system comprises several modes including Roads, Rails, Waterways etc and Communication system includes Post Offices, Courier Services, Wireless, Mobiles and Electronic Media. Transport and Communication are vital for connecting markets and the people. It is extremely difficult to put the economy on the high growth trajectory without an efficient transport and communication system. Adaptation of advance telecommunications and information system is essential for masses and businesses to communicate in more efficient way to achieve high level of growth and reduce poverty. Investments in country's infrastructure directly affects economic growth as producers find the best markets for their goods, reducing transportation time and cost and generating employment opportunities (Figure 14.1). A well established transportation and communication systems also have network effects and allow adoption of latest production techniques. The existence of natural resources is the basis of economic development and their efficient utilization is prime objective of the policy makers for sustainable development. An efficient transport system is pivotal to support any kind of economic activity.

14.1 Road Transport

An efficient communication system is vital for trade, commerce and national integration. Naturally, Pakistan's economic development depends on improvement/modernization of its transport sector. Roads have become the most important segment of transport sector in Pakistan with ever increasing reliance on road transportation. In 1947, reliance on roads was only 8 percent, however, the roads now carry over 96 percent of inland freight and 92 percent of passenger traffic and are undoubtedly the backbone of Pakistan's transport sector/economy.

Figure 14.1: Transport Integration Process



14.1-1 Road network:

The devastating flood of 2010 caused a severe blow to the road infrastructure by destroying about 10 percent of the network. Many sections of the roads in Punjab, Sindh, Balochistan and Khyber Pakhtoonkhwa (KPK) were wiped out by unprecedented flood. Hence, there was urgent need for reconstruction. Besides, maintenance and rehabilitation is also required for most of such sections. According to report "Pakistan Flood, 2011: "Preliminary Damage and Need Assessment", published by the World Bank and National Disaster Management Authority Pakistan, preliminary estimates that about 10 percent of the road-network (approximately 25,000 Km) sustained the highest damage with in the transport and communication sector causing a loss of about 1.2 billion US dollars. The reconstruction requirement of the road-sector has been estimated at 2.07 billion US dollars. The disruption to the road and rail network had two fold impact on the mobility of the affected population i.e. returning to the village became difficult and access to markets and basic services decreased manifold.

The total estimated length of the roads in Pakistan would be clear from the Table 14.1 after the colossal damages and hence all available resources would naturally go to the repairing work rather than constructing entirely new road, resulting a bit decline.

Table 14.1: Estimated Length of Roads by Provinces (KM)

Years	Category	Punjab	Sindh	KPK	Baluchistan	GB & AJK	TOTAL
2006-07	**TOTAL**	**104456**	**81129**	**42509**	**29548**	**1547**	**259189**
	Low Type	34807	27034	14165	9846	510	86362
	High Type	69649	54095	28344	19702	1037	172827
2007-08	**TOTAL**	**104115**	**80863**	**42369**	**29451**	**1552**	**258350**
	Low Type	33864	26301	13781	9579	505	84030
	High Type	70251	54562	28588	19872	1047	174320
2008-09	**TOTAL**	**104114**	**80863**	**42369**	**29452**	**1552**	**258350**
	Low Type	32949	25591	13409	9321	491	81761
	High Type	71165	55272	28960	20131	1061	176589
2009-10	**TOTAL**	**105085**	**81618**	**42765**	**29727**	**1565**	**260760**
	Low Type	32179	24993	13095	9103	480	79850
	High Type	72906	56625	29670	20624	1085	180910
2010-11	**TOTAL**	**105253**	**80625**	**42550**	**29500**	**1535**	**259463**
	Low Type	32147	24000	13000	9000	450	78597
	High Type	73106	56625	29550	20500	1085	180866

Source: National Transport Research Centre (NTRC)

14-1-2 National Highway Authority (NHA)

The transport sector in general and road infrastructure in particular has profound and enduring effect on the economic growth of Pakistan. NHA is playing well its responsibility for improving the quality of Pakistan's road network and ultimately improving the quality and standard of life of the masses. Road density is an indicator of prosperity and development level. Current road density in Pakistan is 0.32 km/km^2, which is much less even from regional standard. The government is endeavoring hard to double the road density to 0.64 km/km^2. From only around 50,000 km in 1947, Pakistan's current road network is now more than 260,000 km. This includes NHA network of around 12,000 km, which despite being merely 4 percent of the overall road network takes 80 percent of Pakistan's commercial traffic.

Devastating flood-2010 caused colossal damages to NHA network throughout Pakistan which includes roads, bridges, culverts, retaining walls, causeways, etc. Despite the huge damage & flood intensity, the traffic was restored on war footing for bringing comfort to affected population. A total of 736 km road segments and 48 bridges were damaged. The restoration cost is assessed as Rs 23.5 billion for NHA controlled roads. Based on flood experience, which passed all historical records, the government is now improving design standards on revised hydraulic parameters to enhance safety features to minimize losses of life and property.

At present, 65 development projects are ongoing which include roads, river bridges, tunnels, flyovers, interchanges etc. Since Mar-2008, NHA has launched/ awarded 36 development projects covering a length of above 1000 km inclusive of a number of bridges, flyovers & interchanges.

14.2 Pakistan Railways

Pakistan Railways provides mode of transportation in the farthest corners of the country and brings them closer for business, sight seeing and education. It caters to large scale movement of people and freight. An effective railways system facilitates trade and reduce transportation cost in comparison to other means of transportation eventually promotes rural development and national integration among the commuters.

Table: 14.2: Passenger Traffic (Million Passenger Km)

Fiscal Year	Passenger Traffic (Million) Passenger Km		Freight Million Ton Km	
	Rail	% Change	Rail	% Change
2000-01	19,590	5.9	4,520	20.4
2001-02	20,783	6.1	4,573	1.2
2002-03	22,306	7.3	4,830	5.4
2003-04	23,045	3.3	5,336	10.7
2004-05	24,238	5.2	5,532	3.6
2005-06	25,621	5.7	5,916	6.9
2006-07	26,446	3.2	5,453	-7.8
2007-08	24,731	-6.5	6,178	13.3
2008-09	25,702	3.95	5,896	-4.10
2009-10	23,523	-8.4	3,925	-13.2
2010-11* (July-Dec)	9,687	-17.6	4,847	17.7

** : estimated* *Source: Ministry of Railways &M/o Communication*

Pakistan Railways is planning to take following series of interlinked initiatives in order to compete effectively amid the fast growing transport sector of the country.

- Contract agreement for procurement and manufacturing of 202 coaches signed. Out of this 150 Coaches will be manufactured in Pakistan Carriage Factory Islamabad.
- 447 out of 500 completely knock down (CKD) wagons received from China will be manufactured in Pakistan Railways workshop in Moghalpura this year under the project for Procurement/Manufacture of 530 High Capacity Wagons.
- Rehabilitation of 400 old coaches is underway while 241 coaches are expected to be rehabilitated during the current financial year.
- Another on-going development project is the doubling of tracks from Khanewal to Raiwind (246 Km) and doubling of track from Khanewal to Chichawatni have been completed & opened for public traffic.

The earnings of Pakistan Railways since 2000-01 are given in Table 14.3.

Table 14.3: Earnings of Pakistan Railways

(Rs. Million)

Fiscal Year	Earning	% Change
2000-01	11,938	20.7
2001-02	13,046	9.3
2002-03	14,812	13.5
2003-04	14,636	-1.2
2004-05	18,027	23.2
2005-06	18,184	0.9
2006-07	19,194	5.5
2007-08	19,973	4.1
2008-09	23,160	16.0
2009-10	22,269	-3.8
2010-11 (July-Mar)	13060	-19.1

Source: Ministry of Railways

14.3 Pakistan International Airline (PIA):

The airline industry provides services to virtually every corner of the globe, and has been an integral part of the creation of a global economy. The airline industry itself is a major economic force, both in terms of its own operations and its impacts on related industries. But as the global economy gradually shifts gears and moves out of recession, the aviation industry has still not been able to fully recover from the crisis that engulfed it in the wake of the oil price hike and financial meltdown.

In fact with the recent events in the Middle East unfolding, oil prices have again started to climb which casts doubts on the ability of the aviation industry to return to portability. However, air travel increased by 7 percent in the year 2010.

During the calendar year 2010, PIA earned the revenue of around Rs. 107 billion as compared to last year of Rs. 94.6 billion. The passenger business with Rs. 95.7 billion of revenue (2009: Rs. 84.5 billion) contributes around 89 percent of total revenue. Available Seat Kilometers (ASKs) increased to 21,219 million from 19,859 million in 2009 demonstrating increased capacity with existing fleet while Passenger Yield has also increased by 0.3 percent. Frequencies to various destinations such as Jeddah and New York have increased whereas new destinations of Barcelona and Chicago have been introduced during the year 2010. The cargo business generated Rs. 6.4 billion (2009: Rs. 4.98 billion) revenue, constituting six percent of the Corporation's total revenue. The cargo capacity has also increased by 8.8 percent.

However, despite positive year-on-year growth in revenue of 13 percent, the overall financial position did not improve materially as compared to last year due to a host of reasons – most important amongst them being the rising oil prices in global markets. In order to achieve further operational and financial efficiency, PIA management is in process of taking steps involving organizational, financial and route restructuring, penetration in new markets and enhancing moral of employees.

14.4 Ports and Shipping

a) Karachi Port Trust (KPT):

The Karachi Port Trust (KPT) has established an annual cargo handling record of over 41.4 million tons during July-March 2010-11, indicating an increase of 6.9 percent over last year. There has also been remarkable increase in all types of cargo handling including bulk, break bulk and containers. Detail of cargo handling during the last fifteen years is given in Table 14.4.

Table14.4: Cargo Handled at Karachi Port **(000 Ton)**

Year	Imports	% Change	Exports	% Change	Total	% Change
2001-02	20,330	1.3	6,362	7.5	26,692	2.7
2002-03	19,636	-3.5	6,273	-1.4	25,909	-2.93
2003-04	21,732	10.8	6,081	-3.1	27,813	7.4
2004-05	22,100	1.7	6,515	7.1	28,615	2.9
2005-06	25,573	15.7	6,698	2.8	32,271	12.8
2006-07	23,329	-8.8	7,517	12.2	30,846	-4.4
2007-08	25,518	9.4	11,675	55.3	37,193	20.6
2008-09	25,368	-0.6	13,364	14.5	38,732	4.1
2009-10	27,892	9.9	13,528	1.23	41,420	6.9
2010-11 (Jul-Dec)	14,711	5.1	5,567	-14.83	20,278	-1.3

Source: KPT

b) Pakistan National Shipping Corporation (PNSC)

The consolidated revenues of Pakistan National Shipping Corporation group for the quarter ended March 31, 2011 were Rs 2,552 million (including Rs. 1,043million from PNSC), making a total of Rs. 6,772 million (including Rs.1,805 million from PNSC) for the nine months under review as against Rs. 5,583 million for the nine months ended march 31, 2010. The earnings per share for the 9 months period ended March 31, 2011 were Rs.5.96 as against Rs. 5.28 last year. The Net profit after tax was Rs. 787 million as against Rs. 697 million last year.

PNSC has acquired four Bulk Carriers (one Panamax, one Handymax, one Supramax and one Handysize) at a total price of US$ 124.25 million, managed through commercial loan, which PNSC contracted with a consortium of commercial banks. The first vessel was delivered to PNSC on 25th October, 2010 at Kashima-Japan and is named as “Chitral” and second vessel “Malakand” was delivered to PNSC on 27th December 2010 at Dalian-China, Third vessel “Hyderabad” was delivered to PNSC on 21st April 2011 at Guangzhou China, while delivery of fourth vessel is scheduled on/about 15 May 2011 which would be named “Sibi”.

Table 14.5: Commercial Performance

(in Metric Tones)

Cargo Lifted	Jul 10-mar 11 (9 Months)
Liquid Cargo	6,652,820
Dry Cargo	577,618
Total (Dry + Liquid)	7,230,438

Source: PNSC

The global shipping industry has been going through a lean patch and it is anticipated that the recovery period yet to come however PNSC during the tough time in global shipping remained profitable during the nine month of FY 2010-11 (Table 14.5). The Corporation has developed a Five Years Fleet Development Plan (2010-15), which envisaged induction of 13 vessels. While PNSC is pursuing inductions, this development plan is kept under continuous review and is revised/updated on the basis of trade & freight market trends in global shipping industry.

c) Gwadar Port

The Gwadar Port started its commercial operations in March 2008 by handling the 1st biggest ship ever berthed at any port of Pakistan namely 76000 DWT Panamax Bulker POS Glory which discharged a total of 63000 M.Tons of wheat. Since then a total of approx. 120 ships have been handled upto 31st January 2011 at Gwadar Port carrying total cargo of 2,286,781 M.Tons.

Table 14.6: Cargo Handled at Gwadar Port **(000 Ton)**

Year	Imports	% Change	Exports	% Change	Total	% Change
2007-08	231.639	-	-	-	231.639	-
2008-09	2055.142	787.22	-	-	2055.142	-
2009-10	705.969	-191.11			705.969	-

Source: Gwadar Port Trust

d) Port Qasim Authority :

Port Qasim being the first industrial and commercial Port of Pakistan, caters for around 40 percent shipping requirements of the country. Port Qasim Authority (PQA) handled a volume of 13.019 million tones cargo during 2010-11 (July-Dec), as compared to 13.276 million tones handled during corresponding period last year, showing a decline of 2 percent.

The volume of import cargo during July-December 2010 stood at 10.181 million tones, as against the 9.853 million tones handled during corresponding period last year, showing an increase of 3 percent. The export cargo declined to 2.838 million tones during July-December 2010, as compared to 3.422 million tones, handled during corresponding period last year, showing a decline of 17 percent, mainly due to flood in the country.

A total of 5.225 million tones of containerized cargo were handled during Jul-Dec. 2010 as against the 4.573 million tones handled during corresponding period last year 2009-10, showing an increase of 14 percent.

Table 14.7: Cargo Handled at Port Qasim (000 Tonnes)

Period	Import	% Change	Export	% Change	Total	% Change
2000-01	11841	-11	1747	3	13588	-11
2001-02	10932	-8	2385	36	13317	-2
2002-03	11980	10	3129	31	15109	13
2003-04	11264	-6	2859	-9	14123	-7
2004-05	16006	42	3431	20	19437	37

Period	Import	% Change	Export	% Change	Total	% Change
2005-06	17588	10	3985	16	21573	11
2006-07	19511	11	4839	21	24350	13
2007-08	21502	10	4922	2	26424	9
2008-09	19445	-10	5584	16	25030	-5
2009-10	19226	1	6380	14	25,626	2
2010-11 Jul-Dec	10181	-	2838	-	13,019	-

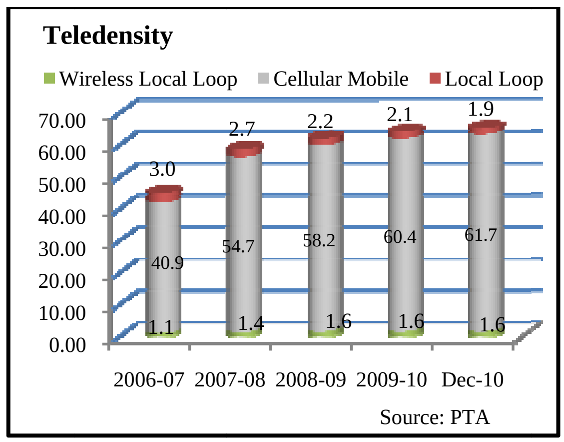
Source : Port Qasim Authority

The current handling capacity of Port Qasim Authority (PQA) with 13 berths is 58 millions Tons per annum. To meet growing requirements for capacity enhancement, PQA has envisaged following development Plans:-

- Implementation Agreement signed on 26-10-2010 with M/s PICT, for development of the terminal on BOT basis. Upon completion of the Terminal the Port capacity would be increased by 75,000 DWT.
- NOCs for undertaking the Quantified Risk Assessment (QRA) study have been issued to the prospective terminal operators. In all 05 LNG terminals have been envisaged, which will not only improve the core competency of this port but would address the growing energy crises in the country as well.
- In the first phase of Deepening & Widening of Port Navigation Channel, turning basin is being deepened so as to fulfill the contractual obligation with the private terminal operators. In the second phase the channel will be widened, commensurate to the development of LNG Terminals, so as to ensure the requisite width for LNG vessels calling at the Psort.
- Port Qasim Authority is vigorously pursuing development of industrial complex and infrastructure in various zones. Presently infrastructure in the Export Processing Zone (EPZ) is being developed at a total cost of Rs.8.89 billion, through M/s FWO & NLC. About 70% of the development works have been completed.

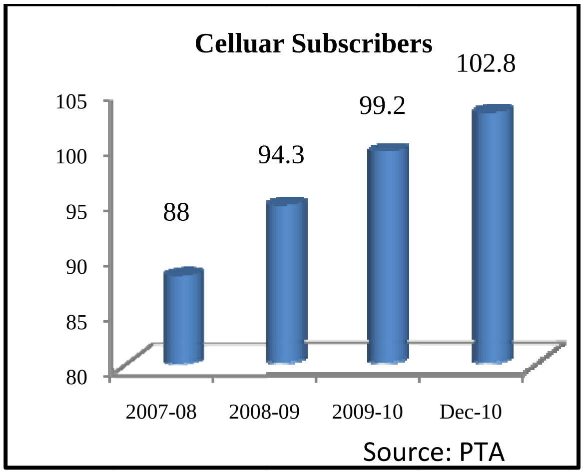
14.5 Telecom Sector

Telecom sector continued to actively contribute to the national exchequer through a steady state of revenue generation, subscriber growth and boost in teledensity despite difficult economic situation in the country. Telecom companies invested heavily in aggressive marketing techniques and infrastructural expansion in far flung areas of Pakistan. USF contribution for undertaking these investments lent a helpful hand in keeping the telecom developments consistent.



In terms of statistics, industry has shown positive growth of 3.5 percent during the 2009-10. Total Teledensity reached 65.2 percent by end-Dec 2010. Cellular mobile sector took lead in the increase of teledensity, offsetting the dwindling figure of fixed/wired line teledensity. Emergence of effective competition between telecom operators continued in telecom sector benefiting the consumer in terms of lowering tariffs and unraveling costly investment possibilities. Cellular mobile companies are now moving towards lowest possible tariffs and offering wide range of data services as well. Cellular industry has a 94.6 percent share in total telecom teledensity followed by FLL 2.9 percent and WLL

2.5 percent, therefore, performance of cellular industry is of utmost importance to the overall sector growth.



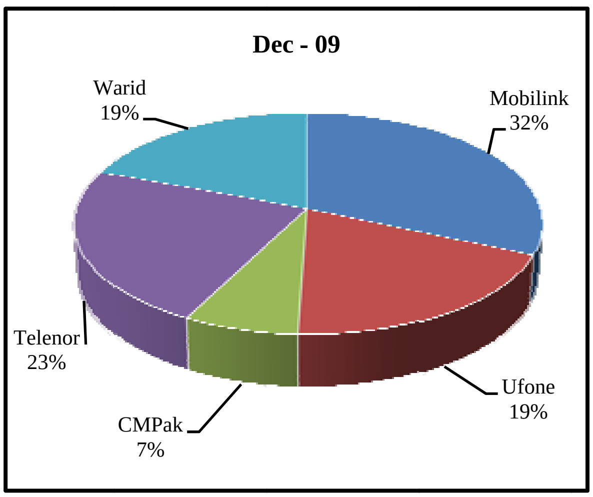
14.5-1 Cellular Mobile Sector

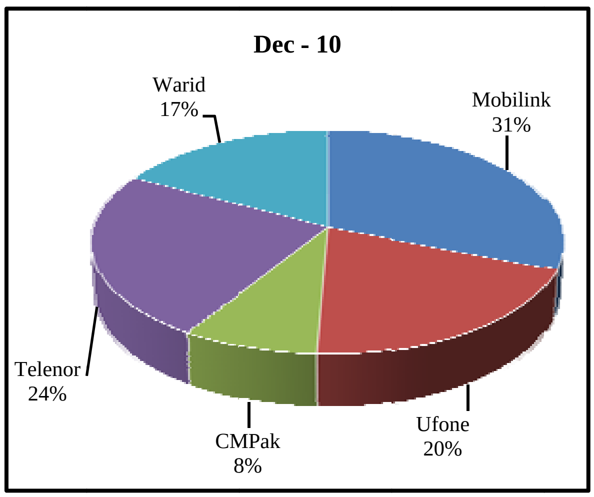
Like many of other emerging markets, Pakistan mobile sector also constitutes mainly of prepaid subscription. Since the economic situation is not very favourable due to increased inflation and higher cost of living, individuals have reduced their spending on communication needs, therefore, suitable options to stay connected still rests with easy loads and scratch cards. With over 97 percent prepaid subscription in the mobile market, the post paid subscription in Pakistan is insignificant (3 percent). Total mobile subscribers at the end of December 2010 crossed the 102 million mark.

14.5-1 a) Cellular Market Share

Cellular market is moving towards maturity, stability and intense competition as operators are dedicating their best efforts to achieve a higher stake in the overall market share. Over the last calendar year, cellular market share has not altered significantly. Mobilink still leads the pack with 31 percent market share while Telenor stands at 24 percent. Ufone increased its market share to 20 percent and Warid has 17 percent stake in the overall subscriber base. Zong has improved its market share and reached at 8 percent at the end of December, 2010.

Cellular Subscribers Market Share

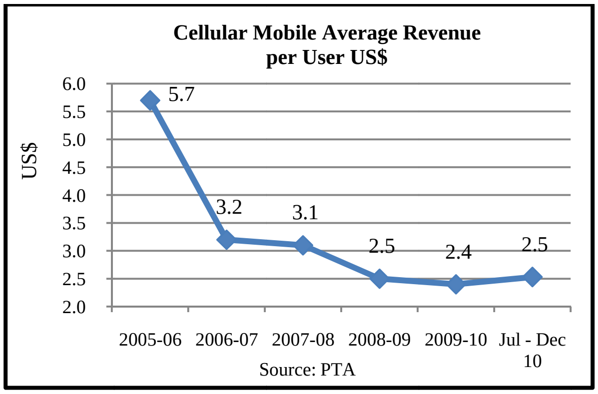




14.5-1 b) Cellular Mobile Average Revenue per User (ARPU)

While tracking down the history of mobile industry continuous ARPU decline is witnessed since 2003-04. Prior to award of two additional cellular licensees the industry was enjoying ARPU of around US$9. With the introduction of competition, revenues were distributed among the operators thus the ARPUs started to decline and in 2005-06 it hovered around US$5. With maturity of the market and declining tariffs the ARPU was over US$3 in 2008.

However, the year 2008-09 and 2009-10 witnessed deteriorating security and economic situation in Pakistan and financial crisis across the globe put pressure on the mobile sector and thus the ARPUs kept dropping below US$ 3. The industry reached a collective ARPU of US $2.48 by the end of 2009-10 and currently, it stands at US $2.53 as of December, 2010.

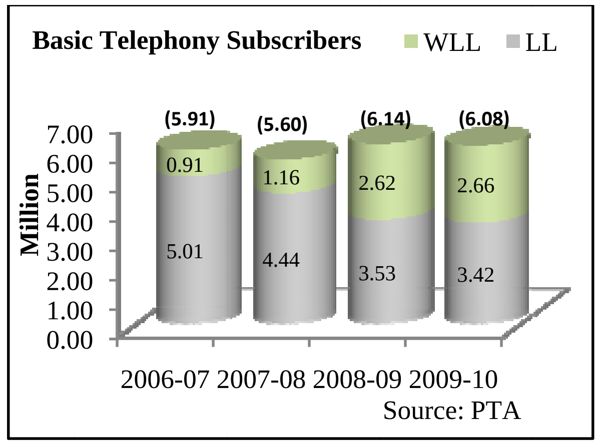


Like many emerging markets, Pakistan also experienced burgeoning growth due to competition and with the passage of time the sector started to settle down and tariffs were further reduced thus companies received marginal returns. In addition, the falling exchange rate also played an important role in pushing the ARPU down. While looking at the company wise scenario, ARPUs of Ufone and Zong have improved by 20 percent and 30 percent, respectively as compared to 2008-09.

Since the local market mainly constitutes the low income group, therefore changing their usage pattern is a challenge for the operators. Operators are already providing voice services at the bare minimum prices thus not much of revenue is expected from it, therefore data based services and applications especially in the local language could be a breakthrough for improving the revenue stream. Similarly operators also need to focus on marketing-operational alignment, optimizing network costs and strong distribution networks. By working on the above ingredients, the ARPU's can be pulled up in the future, especially with launching of services such as 3G.

14.5-2 Basic Services

The main players in the basic telephony services remained to be Pakistan Telecom Company Limited (PTCL), National Telecommunication Company (NTC), Special Communication Organization (SCO), World Call, Telecard and Wateen. There is a total of 6.08 million local loop subscribers of which 3.42 million subscribers are of fixed local loop and 2.66 million subscribers are of wireless local loop services. The total local loop subscribers including fixed and wireless stood at 6.14 million in 2008-09. The segment did not show any improvement during the year rather a drop of 1 percent was witnessed in the growth of local loop subscribers in the reported year. One of the main reasons for drop in the subscriber base was that PTCL lost 109,853 subscribers during the reported year. Moreover World Call also lost 2,360 subscribers during the same period.



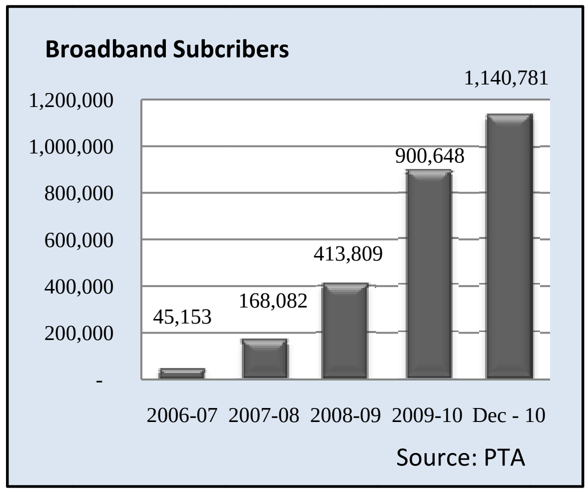
14.5-3 Long Distance International (LDI)

Long Distance International (LDI) services are an integral part of Pakistan's telecom industry responsible for carrying international traffic from Pakistan to abroad and terminating international traffic in Pakistan. LDI industry has invested heavily in infrastructure and is paying reasonable amount to national kitty through taxes.. Since the de-regulation of telecom sector in 2004, LDI industry has been trying to develop a stable business model where customer satisfaction could be achieved while keeping a sizeable profit margin intact. However, due to factors such as instant set up of illegal gateways, lack of industry coordination, high cost of optical links and unrealistically low tariffs, LDI industry struggled to establish its feet in the market. PTA stepped forward to bail out the industry by taking a number of initiatives like directing all LDI companies to follow the approved settlement rates, deployment of Monitoring and Reconciliation of International Telephony Traffic (M&RITT) system, raids against illegal call termination networks and regular review of Access Promotion Charges (APC). Due to high volumes of traffic being carried by the LDI companies, revenue generation has always been a highlight of LDI operations.

At the time of de-regulation in 2004, 14 LDI licenses were awarded of which 09 companies are currently operational in the country. Among the major players are PTCL, Link Direct, Wateen, WorldCall and Telecard. The license condition of minimum number of POPs for commercial roll out has been met by all the operational companies. This year (2010-11), LDI industry has gone one step further and reached all time highest number of international outgoing traffic minutes owing to competitive international tariffs offered by various operators.

14.5-4 Broadband

Information accessibility, dissemination and knowledge sharing has become the hallmark of today's "electronic age". The pace of economic, social and technological developments of 21st century has been synonymous with the revolutionary propagation of ICT services. Broadband internet and mobile cellular services have been instrumental in connecting people, increasing social interactions, produce new income sources, provide platform for freedom of speech and develop portals for entertainment of the human beings. Broadband development in Pakistan has been under the close watch of PTA for a long time through forums, expert groups, PTA - Industry collaborations, studies, reports, surveys etc. The all out support and vision of PTA to promote ICT access in the country has resulted into an open, technologically advanced, widespread and business friendly broadband market depicting remarkable growth rates over the years. Due to freedom of technological choice, new entrants opted for wireless broadband services such as WiMAXand EvDO which started a fierce competition between fixed vs. wireless broadband operators. Resultantly, coverage, quality of service, marketing and tariffs were positively effected and industry statistics got a new boost as more subscribers started to join the broadband clan. The growing trend of wireless uptake by the general public will shun the dependency on fixed line parameters. PTA as a regulator is ensuring that this growth of broadband continues by injecting positive reforms into the industry on regular basis.



Broadband subscriber growth in Pakistan has truly been an amazing phenomenon over the last few years. From a handful of subscribers in 2005 to almost 1.14 million by the end of December 2010, broadband has transformed from a business luxury to a household necessity. Broadband penetration in Pakistan at the end of December 2010 stands at 0.66 percent.

14.8: Telecom Investment *US$ (Million)*

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Cellular	1,158.1	1,420.9	2,584.5	2,337.7	229.75	908.8
LDI	35.1	50.5	602.8	403.9	276.75	183.1
LL	2.3	0.3	40.6	342.1	57.37	22.5
WLL	277.3	259.4	747.0	52.8	82.11	23.0
Total	**1,472.8**	**1,731.1**	**3,974.8**	**3,136.4**	**1,645.98**	**1,137.51**

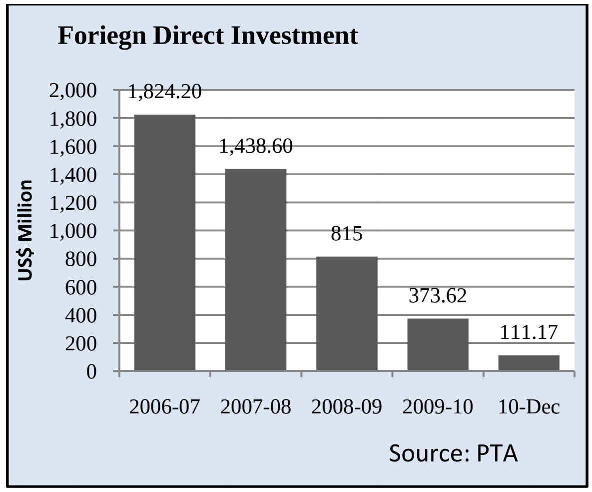
Source:PTA

14.5-6 Telecom Economy

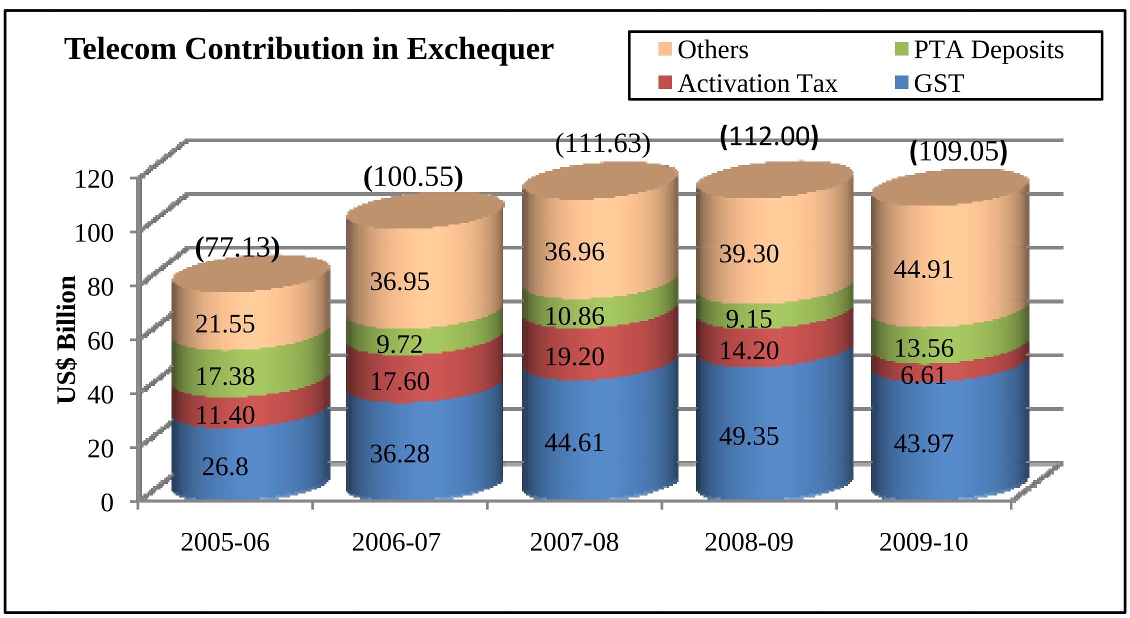
14.5-6 (a) Foreign Direct Investments (FDI)

During the past 5 years, telecom sector invested over US$ 11 billion in total in all segments of the sector and created millions of job opportunities in the country. Since the telecom sector is heading towards maturity, investment is also contracting with time. In 2009-10, telecom sector invested over US$ 1.13 billion in total which is about 508 million less than the previous year. Cellular mobile share in total stake remained about 80 percent with coverage for infrastructural expansion of over US$ 908 million extended to all regions of Pakistan.

Telecom sector attracted over US$ 6.3 billion FDI in the last 5 years, which is an encouraging response by the investors to Pakistan telecom sector policies. UAE, Norway and USA remained the major sources for FDI during last five years. Out of total US$ 6.3 billion FDI in the sector, UAE invested over US$ 2 billion and its share was more than 32 percent while USA and Norway brought FDI worth US$ 890 million and US$ 639 million respectively. Share in telecom FDI of both of these countries comes out 24 percent. China is another source of FDI for telecom sector with contribution of US$ 582 million in last five years. Rest of the FDI, brought by other countries including Singapore, Netherlands, United Kingdom and Hong Kong etc.



Recently the growth of FDI in telecom sector declined slightly due to saturation in the telecom market. But another wave of FDI is expected after the launch of 3G services by Pakistan. In 2009-10 alone, telecom sector attracted over US$ 373 million FDI which is about 17 percent of the total FDI landed in Pakistan during 2009-10. During the last 6 months (Jul-Dec 10) telecom sector received over US$111 million FDI inflow which becomes 13.4 percent of total FDI during this period.

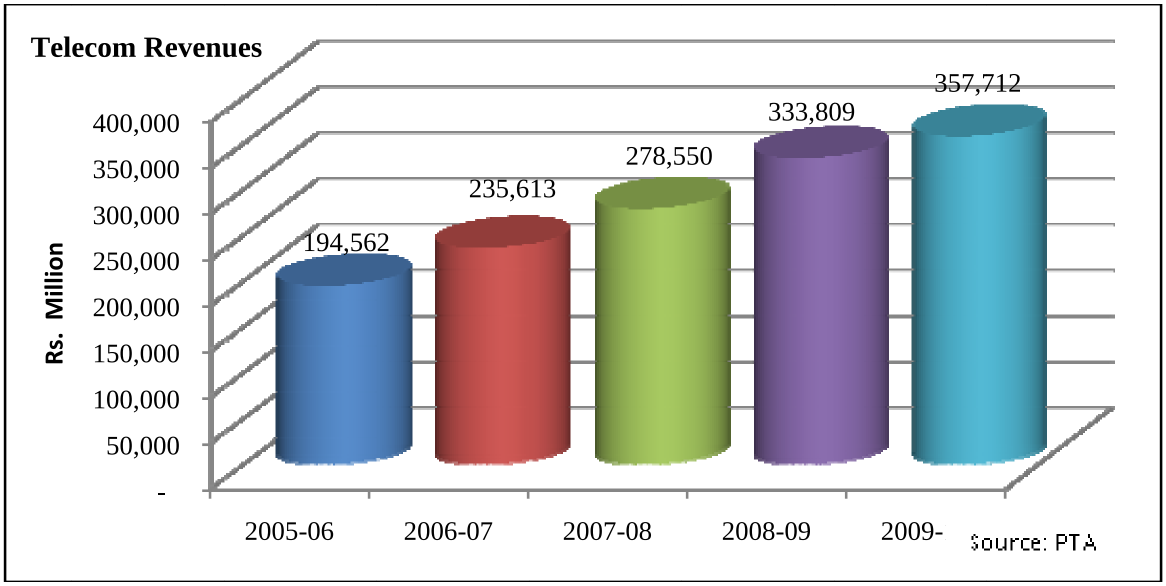


14.5-6(b) Contribution to Exchequer

During 2009-10, telecom sector contributed handsomely to the National Exchequer through taxes, license fees and other duties of Rs. 109.1 billion which is about Rs. 2.5 billion less than the previous year. During last five years, over Rs. 500 billion poured into the national kitty in lieu of taxes and duties. The decline in contribution is mainly because the market has reached its saturation point and additional subscription is lowering every year which is reflected in lower activation tax collection. FED/GST collection from the telecom sector also declined impeding the usage of telecom services due to high tax rates. PTA has collected over Rs.13.56 billion in 2009-10 as initial license fee, USF and R&D contribution. This amount was 48 percent higher than the Rs. 9.15 billion collected in the previous fiscal year.

14.5-6(c) Revenues

Telecom Sector revenues improved steadily in the 2009-10 and 6.5 percent growth rate was witnessed. Total telecom sector revenues reached Rs. 357.7 billion in 2009-10 compared to Rs. 333 billion the previous year. Cellular Mobile sector remained in the fore-front of revenue generation. Its revenue increased by about 11 percent in the current year from Rs. 212,423 million last year to Rs. 236,046 million in the FY 2009-10. Its share in total telecom revenue stands at about 70 percent in 2009-10 compared to 64 percent in the previous year.



14.5-6 (d) Regulatory Intervention by PTA

- Visiting Craft Regulations were developed to regulate the frequency use by the incoming aircrafts and ships in Pakistan Territorial Air-space and waters respectively. The regulations have been drafted to formalize the procedures for radio use on board the visiting aircrafts and ships. Regulations will be published after approval of MoIT&T.
- Grey traffic is one of the major challenges for telecom regulators around the world and PTA has been rigorously putting in efforts to curb this menace through monitoring of international traffic using state-of-the-art tool and raids. PTA carried out raids in the different cities of the country with assistance of Federal Investigation Agency (FIA).
- PTA launched an automated revamped “Online Complaint Management System” to better facilitate the telecom users in terms of complaint lodging, processing and resolution. The new system has been designed to minimize the complaint resolution time and for this purpose, it has been integrated with operators and the telecom Authority.
- PTA in collaboration with NUST School of Electrical Engineering and Computer Science

(SEECS) and Internet Society (ISOC) Pakistan Chapter hosted an exclusive remote participation hub for fifth annual IGF Meeting at SEECS, Islamabad. The event was organized keeping in view the dire need of Internet Governance issues understanding and capacity building among the youth and Internet professionals.

14.6 Electronic Media

a) Pakistan Electronic Media Regulatory Authority (PEMRA)

Pakistan Electronic Media Regulatory Authority (PEMRA) has rendered efforts during the past few years for its development and diversified choices to the people for access to current affairs, education, information and entertainment. Following activities carried out by the PEMRA during the period under reviewed.

- PEMRA has issued (03) new licenses for establishing satellite TV channels.
- During current financial year, (08) licenses for establishing FM radios network i.e. (04) for Commercial FM Radio and (04) for Non-commercial radio stations.
- This year the authority has issued (02) licenses of Mobile Audio (Content Provision Services) and (02) licenses of Mobile TV (Content Provision Service).
- Formulated a draft for Code of conduct for the local satellite TV channels and restricting foreign content in the regular broadcasting with the cooperation of private TV channels, owners.

b) Pakistan Television Corporation Limited (PTV)

PTV is gradually extending its signal to remote and economically backwards area of the country in order to uplift the socio-economic conditions, in these areas to eliminate the existing disparity. PTV is operating multiple terrestrial channels in the country. Apart from it a TV Channel has been established in AJK with one TV Centre, with three Rebroadcast Centers at Kotli, Rawala Kot and Bagh. PTV is planning to launch an independent English News Channel & PTV Sports Channel through terrestrial network has also been planned. PTV Abaseen (Pakhtoon Khawa), PTV Bolan (Baluchistan & PTV Bahawalpur (Punjab) have been planned. Project of Terrestrial Digitalization DVB-T & H of all centers, as per ITU requirement has also been forwarded.

c) Pakistan Broadcasting Corporation (PBC)

Pakistan Broadcasting Corporation having 64 broadcasting units is the largest radio network of the country with a listener-ship bigger than all private channels.

Programme & achievements on-going

- Establishment of largest FM-93 network of Pakistan at 22 stations.
- All station linked with SMS and LIVE phone interaction.
- PBC launched fund raising movement of IDPs and collected Rs. 6.5 million.
- Establishment of Swat and Waziristan radio which is an exemplary collaboration with armed forces of Pakistan and ISPR at national and international forums.
- Launched South Asia Broadcast Service adding three new international languages (Tamil, Sinhali, Nepali).
- PBC News also projected the social welfare schemes including Benazir Income Support Programme and other development projects.
- Broadcast of special news bulletins on flood situation at the middle of the hour from 12-08-2010 to 09-09-2010**.**
- PBC News has a unique distinction of monitoring news and comments of fourteen

radio and ten satellite TV channels including foreign broadcast.

- Web streaming of 14 Channels through Internet.

14.7 Pakistan Post

Pakistan post has taken various measures to streamline the Post office System on modern lines. During the current financial year 2010-11, following ongoing IT related projects have been strengthening and continued providing efficient services to the clients.

a. <u>Benazir Income Support Program (BISP)</u>

Completer web-enabled tracking and monitoring system for disbursement of funds for Benazir Income Support Programme (BISP) continued processing, monitoring and reconciliation of the specialized money orders scheme. The said programme successfully attains its objective to serve the vulnerable and downtrodden segment of the society.

b. <u>International Post Services</u>

Pakistan Post has mail links with all countries of the world except Israel. The mail exchange with these countries take place under Universal Postal Union's (UPU) Rules & regulations.

Pakistan received Rs. 66.2 million in Foreign Exchange on account of Gross Receipt during July to March 2011 and made payment during this period for Rs. 10.4 million, hence the Net receipts of the Pakistan Post department from other Postal administrations during the aforementioned period was Rs. 55.8 million.

c. Call Center

A call center has been established for receiving the complaints. Online complaint lodging facility on the web-portal of Pakistan Post www.pakpost.gov.pk has also been provided.

d. Counter Automation System

Over one hundred GPOs have been provided with counter computerization facility.

e. Express Mail Track & Trace System (EMTTS)

The web based Express Mail Track and Trace System of Pakistan Post provides valuable information relating to the dispatch and delivery of Express Mail articles. The system now covers 14 main stations and 46 District Mail Offices throughout Pakistan.

f. Remittances Services

Pakistan Post is maintaining inbound Money order under bilateral agreements with 28 countries of the world. During the period under review, the following remittances in foreign Exchange were received in the shape of money orders.

g. Computer Pension Payment System

Over 1.3 million Pensioners are served by Pakistan Post. Through computerization of Military Pension payments, at all post have efficiently been disbursing the pensions in a hassle free environment.