

# SECTOR BRIEF

## Telecom Sector in Pakistan

By ICMA Research and Publications Department

### Historical Background

Only 12,436 telephone landlines existed when the country gained independence in 1947, and they were heavily concentrated in a few urban areas, primarily to serve the country's administrative setup. There were two manual exchanges in Karachi and Lahore. The total density of telephones was less than 0.355 per thousand, or roughly one telephone for every 3000 people. The chronology of key initiatives taken by the Government in the telecom sector since independence is summarized below.

- 1949:** Pakistan Posts & Telegraph Department was established
- 1962:** An independent Telephone & Telegraph (T&T) Department was established
- 1990:** T&T Department was converted into Pakistan Telecommunication Corporation (PTC)
- 1990:** Pak Com (Instaphone) and Paktel became pioneers by starting mobile services in Pakistan
- 1992:** Mobilink [owned by Motorola] was the third company that was granted a license to operate in Pakistan
- 1994:** Pakistan Telecommunication Ordinance, 1994 was promulgated
- 1996:** Telecommunication (Re-Organization) Act no XVII was promulgated
- 1996:** Pakistan Telecommunication Authority (PTA) was established
- 1996:** National Telecommunication Corporation (NTC) was established
- 1996:** Pakistan Telecommunication Company Limited (PTCL) was formed and listed on Stock Exchange
- 2001:** PTCL launched Ufone as a private mobile network company
- 2003:** Deregulation policy for Telecom sector was announced and telecom market opened to private operators
- 2004:** Mobile Cellular Policy was announced
- 2004:** Mobile licenses to two new companies i.e. Warid and Telenor were awarded through open bidding

**2006:** PTCL management was transferred to Etisalat International Pakistan a subsidiary of Emirates Telecom Corp.

### Key Players in Telecom Sector

- 1) Pakistan Mobile Telecommunication Limited (Jazz)
- 2) Telenor Pakistan (Telenor)
- 3) China Mobile Pakistan Limited (Zong) and
- 4) Pakistan Telecom Communication Limited (Ufone)

In addition, the Special Communications Organization (SCO) operated by the Ministry of IT&T is providing telecom services specifically in Azad Kashmir and Gilgit Baltistan.

As on October 2022, the market shares of the above cellular companies stand as follows:

Jazz	Telenor	Zong	Ufone	SCO
				
38.55%	25.20%	23.26%	12.13%	0.87%

Jazz is the market leader with a 39% share [75 million subscribers], followed by Telenor@25% share with 49 million subscribers; Zong@23% share with 44.8 million subscribers and Ufone@12% share with 23 million subscribers.

### Key Facts & Indicators

<b>Market size:</b>	Rs. 695 billion (estimated for FY2022)
<b>Sector employment:</b>	1.36 million people
<b>Mobile phone users:</b>	194 million
<b>3G/4G customers:</b>	121 million
<b>Broadband subscribers:</b>	124 million
<b>Teledensity:</b>	88% as of Feb 2022
<b>Broadband Penetration:</b>	51% as of Feb 2022
<b>Revenue Generated:</b>	Rs. 644 billion in FY21 [Rs. 592 billion in FY20]
<b>Tax contribution:</b>	Rs. 170 billion in FY20 [\$1.1 billion]
<b>FDI in Telecom:</b>	US\$2.2 million
<b>Total Data Usage:</b>	6,855 Petabytes in FY21 [4,498 Petabytes in FY20]

# SWOT Analysis of Telecom Sector



## STRENGTHS

- Fastest-growing industry in Pakistan
- Contributes almost 71% to IT Sector
- Large customer base
- Skilled & Low-cost human resources
- Rising FDI in telecom
- Presence of strong international brand names
- Rising 4G subscriptions
- Strong increase in mobile broadband penetration
- Good accessibility and mobility
- Excellent infrastructure [optical network and satellite links]



## WEAKNESSES

- Lack of accessibility in remote areas
- Less spending on R&D
- High usage cost of mobile data
- Issues of network accessibility and signal strength
- Quality of service
- Low revenue per user (ARPU)
- Customer retention
- Low fixed broadband penetration



## OPPORTUNITIES

- 25 million people without any telecom coverage
- Launch of 5G in Pakistan
- Local handset manufacturing
- Making technology accessible to all (e.g. broadband).
- Adopting the latest technologies like MVNO
- Removal of international trade barriers



## THREATS

- Rapid technological advancements
- Price competition amongst industry players
- Conflicts related to license renewal fee charge
- Unprecedented rise in operating costs
- Power crisis in Pakistan
- Changing customer base
- High taxes and regulatory compliances
- New distribution channels

