

WEBINAR BRIEF

INTERNET FOR ALL

PART I

According to “Inclusive internet index for 2021” Pakistan secured 90th place among 120 countries globally and 24th among 26 in the South Asian region. The prospects of growth with technological advancement seem to be a dream for a country where more than 89% of the population cannot afford the internet. What is more alarming for Pakistan is left behind on various internet and communication-

related indicators such as the e-government development index, network readiness index, and e-commerce index compared to Bangladesh, India, Nepal Sri-Lanka, and Myanmar.

The panel discussed the following main issues and challenges faced in Pakistan.

Issues Highlighted

The dilemma of the government in Pakistan is that it considers the internet as a luxury instead of a necessity without realizing the scope of the internet that goes beyond social networking. In the modern era, the internet has become an integral component of all sectors including education, health, commerce, banking, and agriculture. It is high time to revise our tariff policies to make the internet and devices affordable for the masses for greater penetration.

The Internet has become a divider instead of an equalizer by providing quality services in some areas and cities while ignoring the rest of the population in rural parts. Availability of devices such as smartphones and other devices is also a big issue the young generation is facing. Policymakers, regulators, and internet service providers need to understand the scope of the internet and its importance for our young generation.

One of the major challenges faced by telecom companies is regarding the release of spectrum by the government through auctions. The spectrum released in Pakistan is the lowest in the world and no new spectrum is released every year. Hoarding of the spectrum is seen as short-term money-making activity by the government to finance its budget deficit therefore, it is creating artificial scarcity thus pushing service providers to pay high prices for the release of new spectrum.

Pakistan does not have a policy goal regarding the proliferation of the internet. Revenue per user is one dollar in Pakistan which is the cheapest in Pakistan while it is 30-40 dollars in the USA. Considering the revenue generated, the government needs to adopt a policy such as a pay-as-you-go instead of charging

high upfront charges thereby allowing the operators to have the spectrum improve service delivery and provide network faster and quicker.

Spectrum is auctioned by setting minimum/ floor prices in Pakistan without considering the ability of the operator to pay back through earning a single dollar per user. There is a disconnect between the expected average return per user and the minimum bidding price set by the government. Moreover, nearly 30% of tax is collected from the cellular operators which are not only the highest in the world but also the most efficient tax collector. On one side, the government collects a huge amount of tax from cellular companies, while on the other side telecom companies are penalized by charging high fees as the right of way and spectrum fee.

The policies in place have not been revised for the last fifteen years. Government and policymakers should formulate farsighted policies that enable, encourage, and incentivize companies to improve coverage and services. For instance, optic fiber is taxed as a luxury item that needs to be reconsidered keeping its current utilization and importance. Moreover, telecom is not recognized as an industry which constricts it from having opportunities that an industry enjoys.

Almost every telecom company is managing towers across the country. Initially, there was a competitive advantage for having individual towers by each company but later neither government nor companies made deliberations regarding sharing towers. Although, some companies are willing to opt for tower sharing tax implications that restrict them from selling assets or sharing towers.

In Pakistan optical fiber and penetration of the internet is worse and only 10% of mobile towers are connected to optical fibers. Similar constraints are also faced by optic fiber companies due to the absence of unanimous policy or framework. Civic authorities see this as an opportunity of earning money by charging a fee for laying optic fiber from different companies.

There is a need for fast-tracked technology and hardware to enhance coverage and reach ultimate users either by 4G/5G or wire connectivity. But it is hampering fixed connectivity by charging a different fee for laying optic fiber and taxes. Government should remove impediments regarding the laying of fiber optics, and spectrum, the operators will ultimately improve services.

Suggestions

- There are two important funds, universal service fund (USF) and ignite technology fund, generated by telecom companies and controlled by the government. These funds need to be deployed effectively to subsidized internet and device availability in Pakistan.
- The government should make long-term policies because the contribution by ultimate users of the

internet is going to be higher than upfront fees and levies that are recently focused.

- Government should make a service corridor for optic fibers along the side of the highways. Companies interested in laying optic fiber can use those services and pay a fee to the government for utilizing those services.

PART II

CEOs of telecommunication companies continued the discussion in this session pointing out major challenges their companies face and policy recommendations. Mobile has been a great equalizer by providing internet services to everyone. Although the regional comparison shows that Pakistan remained alarmingly behind on internet inclusiveness, progress has been witnessed at affordable prices in terms of services and coverage over the years.

There are excessive regulations and regulators are least productive in terms of catering needs of the sector.

- The **issue of high spectrum prices** has been witnessed by many countries in the initial phases of telecom implementation but sooner mistakes were realized and corrected. Pakistan, a country with a perpetual current account deficit sees spectrum receipts as an opportunity for governmental value capture by charging high amounts in the beginning. We need to realize the fact that when companies overspend on the spectrum, they are left with less money to enhance quality or coverage and compromise on long-term growth. Pakistan needs to learn from the experiences of other countries and resolve the issues of the spectrum to provide faster services in the long term.
- The government is sacrificing long-term economic growth for short-term money. Government should not see telecom companies as efficient tax collectors, whether it is regulatory duties or spectrum. We need to realign our mission and vision by focusing on development needs at affordable prices everywhere and to everyone.

- The Telecom sector is deprived of the rights that are given by the law and there is huge negligence from the government in enhancing the scope of this sector. The pandemic has put tremendous pressure on telecom service providers because it is the only viable solution to ensure online education, health care, banking, and functionality of many other sectors. Surprisingly, the government has neither interested nor contributed in this sector nor given any relief/concession in the last fifteen years.
- The Telecom sector is facing various issues and disputes in settling prices with external service providers. Despite those, telecoms are striving hard to provide the cheapest services by paying huge amounts to upstream submarine cable operators. Various petitions have been filed regarding pricing issues and internet bandwidth in courts by telecom companies. Delayed decision-making at the federal level prolonged the case decision to years which otherwise would have been resolved in days. For instance, FBR has not been able to decide about the status of telecom as an industry even after two decades of recognition by the cabinet.
- There is no ownership of the telecom sector in Pakistan. Every sector is moving towards internet-based sectors such as finance as fintech,

agriculture as agri-tech, education as ed-tech, and so on, therefore, Pakistan needs to understand the state of digital emergency and prioritize the telecom sector as a crucial driver of growth. This sector needs complete government ownership and proactive forward-leaning support. Our fight should be about how to take Pakistan out of the current myopic situation and change the status quo.

- Readiness for 5G: Pakistani market is not ready to take up 5G technology due to the non-enabling environment (existing regulatory structure, capital) and non-affordability of the smart devices. 5G is low latency which is required for technology-controlled businesses like the autonomous car industry and remote surgeries. Our market is not ready for such a business as Pakistan is still struggling to penetrate 4G which is not happening due non-availability of

smart devices and handsets. Nearly 50% of the customers are using 2G technology with the cheaper mobile set. Affordability of the devices is one of the biggest impediments Pakistan is not able to capitalize fully on 4G and 60% of users don't have 4G devices. As a nation, it is suboptimal to divert to 5G because we need to assess our abilities, infrastructure and technology to adapt to 5G. We need to develop a whole ecosystem to leapfrog because service providers alone cannot ensure the availability of 5G without fulfilling pre-requisite conditions.

- The main objective of telecom is to provide fast internet to its citizens instead of providing 5G and take up technology which is most appropriate for us as a country. Given the existing tax structure on customers (32%), it is a great challenge for certain groups or segments such as students to afford smart devices and the internet for education.

Policy Recommendations

Policy framework 2004 was a forward-looking policy that enabled the sector to develop from 5% to 50%. The policy framework needs to be upgraded every five years but it did not happen. Pakistan was performing ahead of many regional counterparts in 2004-2009 comparing the connectivity index at that time. Therefore, there is a dire need to upgrade our policy according to the requirements of the current era to make things happen for guaranteed progress. There is no ambition and mission in our policy.

Spectrum is the lifeline of the telecommunication sector, but we are losing its economic value by not utilizing it timely. Pakistan has 1/3 of the spectrum as compared to that of India or Bangladesh and ¼ of advanced countries like Arab and Turkey. Instead of hoarding spectrum, the government should release it in time for better utilization.

Consolidation of telecom companies is also an important aspect to build robust infrastructure, enjoy economies of scale and improve efficiency. The Telecom sector needs a consolidated regulator or an umbrella organization that can monitor the progress and reset prices of spectrum and availability. Telecom is a competitive market, therefore, the government should provide a conducive environment to enable companies to perform better. Pakistan can consider the case of China which limited its networks due to affordability issues whereas, in Pakistan, multiple companies are investing in isolation on towers and networks.

The telecommunication sector needs to be recognized as a sector of sectors and needs a

sustainable framework due to its prospects. The fact is that this sector boosts and flourishes other sectors like education, commerce, health, and economy with changing dynamics of the market. Our goals need to redefine with the evolution of technology and ensure that the internet for all is a sustainable way to achieve economic growth.

Pakistan also needs to build on its demographic dividend by enhancing skills through policy interventions.

Malaysia did a rigorous exercise for digital transformation supervised by President Mahathir himself to ensure the functionality of the digital transformation which led to successful results. A similar vigorous exercise is required in Pakistan that can help to boost economic growth.

Prepared By

Nazia Hasan

Ph.D. Scholar, PIDE

Edited By

Hafsa Hina

Assistant Professor, PIDE