

Consultation Paper on Implementation of SIM Disowning Charge by Cellular Mobile Operators

This paper intends to seek comments of all the stakeholders including telecom operators, telecom subscribers, consumer groups and general public on issues related to implementation of SIM disowning charge by Cellular Mobile Operators. Comments on issues / questions raised in this paper are requested to be provided, preferably through email, at the following address within three weeks of the publication of this paper.

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1. Introduction:

1.1. Pakistan Telecommunication Authority (PTA) was established under section 3 of the Pakistan Telecommunication (Re-organization) Act, 1996 (amended in 2006), with the objective to regulate the establishment, operation and maintenance of telecommunication systems and the provision of telecommunication services in Pakistan. Under section 4(d) and 6(e) of the Act, the Authority is required to promote and ensure competitive telecommunication services throughout Pakistan and to encourage fair competition in the telecommunication sector.

2. Background:

2.1. CMPak Ltd., a Cellular Mobile licensee, (the "licensee") vide letter No. Nil dated 4th December 2015 proposed amendments with regard to conditions of "*Sale of SIM Standard Terms & Conditions*" as already approved by the Pakistan Telecommunication Authority (PTA) on 21st February 2014 after successful implementation of biometric system. As per the proposal, the licensee intended to levy Rs. 300 as SIM disowning charge prior to lapse of ninety (90) days from the date of activation. PTA also received complaints against imposition of SIM disowning charges by various operators. Moreover, Pakistan Telecommunication Mobile Limited (PTML-Ufone) lodged a complaint vide letter No. 10-33/PTML/RA dated 10th June 2016 to PTA stating dumping practices in the form of offering / selling Zero price (free) SIMs (*without any charges*) by some Cellular Mobile Operators (CMOs) due to intense competition for acquiring new customers / market share. Ufone further contended that free SIMs are primarily aimed at squeezing the capability of smaller CMOs to acquire new subscribers. PTML-Ufone requested PTA to take steps to stop the value erosion of the telecom cellular mobile market and in the long term to ensure sustainability of telecom sector.

2.2. PTA considering the common question of facts and law, consolidated all complaints / proposals and called CMOs for hearing on 13th July 2016. After hearing all representatives of CMOs, the main contention of CMOs for imposition of disowning SIM charge was to recover cost of SIM. They asserted that due to competition issues, it is difficult for them to recover the cost of SIM at the time of issuance. In order to resolve the issue once and for all and to protect the interest of telecom consumers viz-à-viz protection of rights of licensee(s), PTA vide Determinations dated 7th November 2016 concluded / decided that Minimum sale price for issuance of any type of new SIM such as GSM SIM, USIM, LTE SIM etc. (*first time issuance including Voice and Data, and Data only SIMs*) at the retail level shall be Rs. 200 per SIM in Pakistan as well as AJ&K and GB. Further, CMOs providing services within the territory of Pakistan as well as

AJ&K and GB are not allowed to demand and / or levy any charges from the customers for disowning of SIMs.

- 2.3. Subsequently, Pakistan Telecom Mobile Limited (PTML-Ufone) vide its letter dated 29th August 2018 requested the Authority to review minimum sale price of SIM owing to tough competitive environment and fear of losing market share. In this regard, PTA vide its letter dated 25th September 2018 requested CMOs to submit their views / comments / feedback regarding PTML's proposal of revising minimum sale price of SIM and convened a meeting on 20th November 2018. A consultation process was carried out with all CMOs and after examination of comments, a hearing was convened on 9th June 2020. During the hearing, all CMOs unanimously agreed to deregulate SIM Price in Pakistan and AJ&K and GB. Resultantly, PTA vide Determination dated 28th August 2020 decided that minimum sale price for issuance of any type of new SIM such as GSM SIM, USIM, LTE SIM etc. (*first time issuance including Voice and Data, and Data only SIMs*) at the retail level stands deregulated (excluding tax and verification charges) in Pakistan as well as AJ&K and GB. Moreover, CMOs providing services within the territory of Pakistan as well as AJ&K and GB shall not demand and / or levy any charges from the customers for disowning of SIMs.

3. Request of Cellular Mobile Operators:

- 3.1. In August 2022, Telenor on its own implemented / introduced disowning charge @ Rs. 200 per SIM and posted notices on its website. However, after directions by PTA, Telenor discontinued SIM disowning charge and no consumer was charged. Recently, Telenor has approached PTA to re-visit the Authority's Determination regarding implementation of SIM disowning charge.

4. Consultation with Cellular Mobile Operators:

- 4.1. On 21st September 2022, PTA conducted a consultation session with Jazz, Telenor, Zong and Ufone wherein representatives of all CMOs were requested to submit written feedback / comments on SIM disowning charges. CMOs were also directed to provide framework / mechanism for addressing genuine concerns of the complainants along with proposed price for SIM disowning.
- 4.2. Jazz stated that SIM disowning charge should be uniform across all the customers, considering that genuineness of the consumer cannot be determined. Jazz suggested price ceiling of Rs. 500 as SIM disowning charge.
- 4.3. Telenor proposed minimum charge of Rs. 300 on all SIM disowning activities without exception.

- 4.4. Zong requested a de-regulated approach with a price ceiling of Rs. 300 and recommended that these charges should be applicable to all the customers.
- 4.5. Ufone argued that consultation on SIM disowning charge and framework / mechanism for addressing genuine concerns of complainants may be deferred till the implementation / maturity of the Multi Finger Biometric Verification System (MFBVS) and its impact analysis.

5. 2nd Consultative Meeting with Cellular Mobile Operators:

- 5.1. In order to further deliberate on the issue, a subsequent consultative meeting was held with CMOs on 14th November 2022. During the meeting, Jazz, Telenor and Zong proposed that PTA should determine price floor and price ceiling for SIM disowning and suggested price floor and price ceiling in the range of Rs.200 to Rs. 500 respectively. Ufone only agreed on setting price ceiling by PTA but opposed determination of price floor for SIM disowning.

6. Authority Views:

- 6.1. It is a fact that significant resources and cost (SIM acquisition cost, NADRA verification cost etc.) are involved in the process of SIM sale to customers through Biometric Verification System (BVS) verification and the same has increased owing to current economic situation and increase in operational expenditures. Although PTA has deregulated SIM connection price but due to competition, CMOs are unable to recover SIM cost.
- 6.2. Another phenomena which is being observed is that some consumers willingly or unwillingly handover SIMs to illegal sources for monetary gains and exploit free disowning SIM facility by returning the SIM after they are identified and acquire new SIM of other operator for the same activity. Thus, they are involved in abusing new customer acquisition offers which are offered to new consumers for sale of SIM.
- 6.3. There were instances where free disowning of SIM phenomena were exploited by grey traffickers/fraudsters as they were able to get new SIMs after disowning of old SIMs, which were used in grey traffic/frauds.
- 6.4. After holding of consultation with operators, it has been observed that there is no agreement / consensus among CMOs on SIM disowning charge. Moreover, CMOs have not developed / provided any mechanism for addressing concerns of genuine consumers e.g. in case of illegal SIM issuance on the CNIC of a customer, etc. the burden of disowning charges will be borne by that customer which is not justified.

6.5. It is pertinent to highlight that CMOs initially agreed with PTA's suggestion that one time waiver may be allowed to customers for disowning their SIMs. Later on, the same was not been agreed by Jazz, Telenor and Zong. However, the Authority is of the view that consumers should be given the facility of one time free disowning of their SIM.

7. Questions for General Public / Consumer Groups / Stakeholders

7.1. In view of foregoing, the Authority intends to seek comments / feedback from concerned stakeholders including telecom consumers, consumer groups and general public regarding implementation of SIM disowning charge.

7.2. Accordingly, this consultation paper has been placed on PTA website (www.pta.gov.pk) along with public notice in the newspapers. Concerned stakeholders including general public are requested to submit their response to the following preliminary questions within three weeks of the publication of this paper.

- i. Whether Cellular Mobile Operators should be allowed to levy SIM disowning charge? If yes, should PTA determine price floor as well as price ceiling for SIM disowning?
- ii. PTA proposes price ceiling of Rs. 200 for SIM disowning without determining price floor. (Agreed / Not agreed)
- iii. Whether one time waiver may be allowed to facilitate consumers for disowning their SIMs?
- iv. Should SIM disowning charge be waived in case of SIM retention period of more than 6 months?
- v. Whether Cellular Mobile Operators be obligated to carry out public / awareness campaigns wherein status of registered SIMs against each CNIC shall be transmitted / communicated to the consumers to facilitate one time disowning of SIMs free of charge?
- vi. Whether Cellular Mobile Operators be mandated to develop proper mechanism for SIM disowning?
- vii. Any other issue may also be highlighted relating to SIM disowning.