



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

PHASE II REVIEW

**IN THE MATTER OF ACQUISITION OF 100% SHAREHOLDING OF M/S. TELENOR
PAKISTAN (PRIVATE) LIMITED AND M/S. ORION TOWERS PRIVATE LIMITED BY
M/S. PAKISTAN TELECOMMUNICATION COMPANY LIMITED FROM M/S.
TELENOR PAKISTAN BV.**

CASE: 1434/Merger-CCP/2024

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ORDER

1. This Order concludes the Competition Commission of Pakistan's (the **Commission** or **CCP**) Phase II review, initiated in terms of Section 11(6) of the Competition Act, 2010 (the **2010 Act**) read with Regulation 12 of the Competition (Merger Control) Regulations, 2016 (the **Merger Regulations**), of Pakistan Telecommunication Company Limited's (**PTCL** or the **Acquirer**) proposed acquisition of Telenor Pakistan (Pvt.) Ltd. (**TP**), Telenor LDI Communication (Pvt.) Limited (**TPLDI**) and Orion Towers Private Limited (**OT**) (the **Targets**).
2. As per the application submitted with the Commission, PTCL seeks to acquire 100% ownership of the Targets from Telenor Pakistan BV (**TPBV** or the **Seller**) (the **Transaction**). The Transaction meets the pre-merger notification thresholds as per Section 11 of the 2010 Act and Regulation 4 of the Merger Regulations¹.
3. Pursuant to Section 11 of the 2010 Act, and Regulation 11(6) of the Merger Regulations, in Phase II review, the Commission evaluates whether the merger is likely to substantially lessen competition (**SLC**) by creating or strengthening a dominant position in the relevant markets.



¹ Under Regulation 4, a pre-merger application is required if a transaction meets these thresholds: gross assets of at least PKR 300 million (or PKR 1 billion combined); annual turnover of at least PKR 500 million (or PKR 1 billion combined); transaction value of at least PKR 100 million; or if the acquirer gains more than 10% voting shares. These apply to acquisitions of shares, assets, or full amalgamations, and asset management companies must meet the thresholds in Regulation 4(2)(e) or 4(2)(f).

1. BACKGROUND

1.1. Application

4. On 06.03.2024, the Commission received an application from PTCL and TPBV concerning the proposed acquisition, through which the Acquirer sought to acquire 100% shareholding of the Targets from the Seller (the **Application**). The Application was submitted in compliance with Section 11 of the 2010 Act, and Regulation 6 of the Merger Regulations, marking the initiation of the Commission's review process under the relevant legal framework for mergers and acquisitions. The Acquirer and the Target may also be referred to as the Notifying Parties in this Order.

1.2. Merger Parties

1.2.1. Acquirer/PTCL

5. The Acquirer is a company incorporated under the laws of Pakistan on 31.12.1995,² having registration number 0035959.³ The company is listed on the Pakistan Stock Exchange Limited (**PSX**) with its registered office located at PTCL Head Office Room No.17, Ground Floor (Margalla side), Ufone Tower, Plot No.55-C, main Jinnah Avenue, Blue Area, Sector F-7/1 Islamabad, Pakistan.

- (a) The Acquirer along with its subsidiaries, Pak Telecom Mobile Limited (**PTML** or **Ufone**, a cellular telecommunication operator), DVCOM Data (Private) Limited (**DVCOM**), M/s. Smart Sky (Private) Limited (**Smart Sky**) and M/s. U Microfinance Bank Limited (**U Bank**), is primarily engaged in providing telecommunication services including cellular mobile telephony service, Wireless Local Loop service, Direct-to-Home (**DTH**) television service and financial services across Pakistan, Azad Jammu & Kashmir (**AJK**), and Gilgit Baltistan (**GB**).

- (b) The Acquirer has an associated company, namely, TF Pipes Limited (**TF Pipes**) with 40% shareholding that specializes in the production of pressure and non-pressure PVC pipes, bends and sockets.

² <https://ptcl.com.pk/uploads/PTCL-%20Annual%20Report%202022.pdf>

³ The Application



- (c) The Acquirer has also investments in Thuraya Satellite Telecommunication Company based in Dubai with 3,670,000 ordinary shares and M/s. Alcatel-Lucent Pakistan with 2,000,000 ordinary shares representing 10% of its shareholding.
6. Following PTCL's privatization in 2006, Etisalat International Pakistan LLC (EIP), a strategic investor and wholly owned subsidiary of Emirates Telecommunication Corporation (e&), acquired 26% class 'B' ordinary shares in PTCL and assumed its management control. The Government of Pakistan currently holds 62.12% class 'A' ordinary shares, while the remaining 11.82% of class 'A' ordinary shares are held by the general public and other stakeholders.

1.2.2. Seller/TPBV

7. TPBV, is a private limited company organised under the laws of Netherlands (company registration number 27176157). Its registered office is at Kingsfordweg 151, 1043 GR Amsterdam, Netherlands.⁴

1.2.3. Targets/TP & OT

TP

8. TP is a private limited company incorporated under the laws of Pakistan in 2004, having SECP registration number 0047228.⁵ Its registered office is located at 345 Telenor Headquarters, Plot No.55, River View Avenue, Block B, Gulberg Greens, Islamabad. TP is a wholly owned subsidiary of the Seller and, as per the license issued by PTA, is engaged in providing cellular mobile services in Pakistan, AJK and GB. The subsidiaries of TP are as follows:

- (a) **TPLDI:** TPLDI is a wholly owned subsidiary of TP which is a Pakistan-focused provider of international traffic services. The principal line of business of the company is provision of long-distance and international telecommunication services under a non-exclusive LDI License No. 04(18)-2004 dated 05.08.2004, issued by PTA in Pakistan and an LDI License No. LDI - LDI (AKJ&NAs)-04-2008 dated 28.05.2008, issued by PTA for services in Pakistan and AJK.

⁴ The Application
⁵ <https://opencorporates.com/companies/pk/0047228>



(b) **Margalla Ventures (Pvt.) Limited:** Margalla Ventures (Pvt.) limited is a wholly owned subsidiary of TP, incorporated in 2010. The Memorandum of Association of the company allows it to hold TP's digital assets. Currently it does not have any significant business activity. The principal line of business of the company is to carry out the trade and business of internet related software/hardware, cloud computing, advertising, marketing, promoting, branding, retailing, designing, developing and delivering digital, technical products, business analytics, solutions, software and services and to enter into and create partnerships (based on equity contribution or otherwise), with other entities.

OT

9. OT is a wholly owned subsidiary of TPBV. It is a private limited company registered with SECP and holds a license to build, maintain and operate telecom towers; with no towers currently owned by this entity. The principal line of business of the company is to undertake in Pakistan and elsewhere the business of constructing, acquiring, establishing, developing, maintaining and managing telecommunication infrastructure, including but not limited to cell sites, towers, poles, ducts, pits, earth stations and satellite hub, optic fiber cables, radio communications links, co-location centers, submarine cable links, etc. either on its own or in association with any other person/legal entity, subject to approval from the relevant departments. Presently OT is not operational and does not carry out any business or generate any revenue. It neither owns any assets nor has any employees.

1.2.4. MergeCo

10. Post completion of the Transaction, PTCL intends to amalgamate PTML with TP (**MergeCo**), a process intended to be effected through a scheme of amalgamation sanctioned by the Boards of both amalgamating companies under the Companies Act, 2017 (the **2017 Act**). It is anticipated⁶ that PTML will be the surviving entity.

⁶The Application



1.3. Phase I Review

11. In the Phase I Order, the Commission assessed the potential effects of the proposed merger on the telecommunications markets in Pakistan. The relevant markets, as identified in the Application, include:
- (i) Retail LDI Fixed-line Telecommunication Market;
 - (ii) Retail Mobile Telecommunication Market;
 - (iii) Wholesale Domestic Leased Lines;
 - (iv) Wholesale IP Bandwidth; and
 - (v) Individual Mobile/Fixed Interconnect markets, with the geographic scope being Pakistan.
12. The Phase I review highlighted the market shares and the impact of the merger. It concluded that PTCL holds a dominant position in the relevant markets, including the LDI Market, Domestic Leased Lines, and IP Bandwidth, and the Transaction will potentially strengthen its market position through the merger. The assessment raised concerns about market concentration, particularly in the markets where PTCL is already classified as an operator holding Significant Market Power (SMP) by the Pakistan Telecommunication Authority (PTA).
13. In the Phase I Order issued on 03.05.2024, the Commission held that the *“proposed transaction meets the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Act. Accordingly, a Phase II review is hereby initiated under Section 11(6) of the Act to assess the compatibility of the proposed merger with Chapter II of the [2010] Act”*.

1.4. Phase II Review

14. The Commission’s Phase II review process, under Section 11(6) of the 2010 Act, involves an in-depth examination of mergers or acquisitions that may raise serious competition concerns in the relevant markets identified. This phase is triggered if, during the initial Phase I review, the Commission identifies potential risks to competition, such as the creation or strengthening of a dominant position or substantial lessening of competition. In the Phase II review, the Commission conducted a comprehensive analysis, including market assessments, consultation with stakeholders, and requested



information from PTA, the Frequency Allocation Board (FAB), the Notifying Parties and Third Parties. The aim was to evaluate whether the merger would harm competition and whether the efficiencies claimed by the Notifying Parties could be substantiated. The following key steps were taken to conduct the Phase II review.

1.4.1. Stakeholders Concerns

15. In a merger assessment, engaging stakeholders and addressing their concerns is an integral and important part of ensuring a fair, transparent and comprehensive review of the proposed Transaction. Stakeholders, including competitors, customers, suppliers, sector regulators and industry stakeholders, provide valuable insights to the Commission into how the merger might impact competition, market dynamics, and consumer welfare. The following undertakings were consulted:

- (i) Pakistan Mobile Communications Limited/Jazz;
- (ii) CMPAK/Zong Pakistan;
- (iii) REDtone;
- (iv) LINKdotNET Telecom Ltd;
- (iv) Telecard Ltd;
- (v) ADG LDI (Pvt.) Ltd;
- (vi) Wise Communication Systems (Pvt.) Ltd;
- (vii) Dancom Pakistan (Pvt.) Ltd;
- (viii) Orient Express LDI (Pvt.) Ltd;
- (ix) Wateen Telecom (Pvt.) Ltd;
- (x) Circle Net Communications (Pakistan) (Pvt.) Ltd;
- (xi) Multinet Pakistan (Pvt.) Ltd;
- (xii) 4B Gentel International (Pvt.) Ltd;
- (xiii) WorldCall Telecom Ltd; CMPak LDI Ltd;
- (xiv) Cyber Internet Services (Pvt.) Ltd;
- (xv) Zeta Technologies (Pvt.) Ltd;
- (xvi) HG Telecommunication (Pvt.) Ltd;
- (xvii) Dynasty Telecommunication (Pvt.) Ltd; and
- (xviii) Transworld Associates (Pvt.) Ltd.



1.4.2. Meetings with Stakeholders

16. In assessing the Transaction between PTCL and TPBV, the Commission held meetings with key industry stakeholders and the sector regulator. These meetings were vital in understanding the sector and merger's dynamics and how it may reshape the telecommunications landscape in Pakistan. By engaging directly with stakeholders, the Commission gathered diverse perspectives on the merger's potential effects on market competition, consumer choices, and industry innovation. The discussions allowed stakeholders to express concerns and provide insights beyond formal submissions, enabling the Commission to assess the merger's broader implications, such as potential market dominance, infrastructure sharing, and the rollout of new technologies like 5G. This proactive and inclusive approach ensured that the decision-making process is comprehensive, well-informed and aligned with the regulatory framework aimed to maintain a competitive and healthy telecom environment in Pakistan.
17. Summarily, the industry stakeholders, including the sector regulator, PTA, were thoroughly consulted. They expressed concerns about potential anti-competitive impacts, including increased market dominance, limited consumer choices, and the risk of unfair pricing strategies, all of which raise the risk of abuse of dominant position prohibited under the 2010 Act.

1.4.3. Hearings

18. As part of the Phase II review, all procedural and codal formalities were duly complied with by the Commission to ensure a thorough, transparent and well-informed assessment of the Transaction. Reasonable hearing opportunities were provided to all relevant parties, including the Acquirer, to present their arguments and rebuttals of concerns raised by Third Parties. Hearings were conducted on 30.09.2024, 02.10.2024, 03.10.2024, 22.10.2024 and 24.10.2024, ensuring that all stakeholders had ample opportunity to express their views. The legal counsel for the Acquirer attended all the sessions, presenting its position and responding to the concerns raised by stakeholders, either during the hearing or later through written submissions. Confidential hearings/meetings were also held with the senior management and legal representatives of PTCL and PTML.



2. OVERVIEW OF THE TELECOM INDUSTRY AND THE REGULATORY REGIME

19. This Part of the Order focuses on the relevant legal and regulatory framework applicable to the telecom sector and the matters administered by the PTA. It also highlights PTA's obligations to create competitive market conditions and ensure consumer protection.

2.1. Sector's Regulatory Regime

2.1.1. Pakistan Telecommunication Authority

20. Pakistan's telecommunication sector is governed by a comprehensive legal and regulatory framework, which, *inter alia*, ensures licensing, (*ex-ante*)⁷ competition, protects consumers and technological growth. The framework integrates a combination of legislative acts, regulatory policies, and operational guidelines that collectively ensure the growth, regulation, and oversight of telecom services, as summarized in the paragraphs below.
21. PTA is the regulator of the telecommunication sector in Pakistan. It periodically publishes key data reports, consultation papers, and regulatory instruments, which include quarterly performance data compared with the corresponding periods. PTA's data and reports have also been referred in this order, which, *inter alia*, reflect the periodic growth, performance, and market share of the telecommunication sector's stakeholders in recent years. Additionally, during the hearings, PTA's technical team provided comments and responded on various aspects of the proposed Transaction, as discussed in the relevant sections of this Order.

⁷ According to Global System for Mobile Communications (GSMA), a Regulation is *ex-ante* (prior to in Latin), which is based on analysis of the market to remedy a market failure before the failure manifests itself. So, it is a measure put in place prior to any thing actually happening. Economic regulations take the form of conditions in the license of telecom operators. However, in the case of regulation of operators with Significant Market Power or SMP special license conditions are imposed. Competition law, on the other hand, is *ex-post*, which means after the event (Latin), which mean enforcing the rules after something has happened. For example, after a company has abused its dominant position, or several companies have come together to create a *carte*. Competition law is generally applicable to all companies. Its application usually depends on whether the behaviours in question have caused anti-competitive effect in the country applying the law.



2.1.2. Pakistan Telecommunication (Re-Organization) Act, 1996

22. In 1996, Parliament enacted the Pakistan Telecommunication (Re-Organization) Act, 1996 (the **1996 Act**), establishing PTA as the sector regulator for the telecom industry. The preamble of the 1996 Act reads as under:

WHEREAS it is expedient to provide for re-organization of telecommunication system in Pakistan by establishing the Pakistan Telecommunication Authority, the Frequency Allocation Board, National Telecommunication Corporation and the Pakistan Telecommunication Employees Trust, regulation of telecommunication industry, transfer of telecommunication services to private sector and for matter connected therewith or incidental thereto;

23. The 1996 Act outlines PTA's role, which includes issuing licenses to telecom operators. It empowers PTA to regulate the sector, ensuring that the delivery of telecommunication services complies with national standards, fosters market competition, and protects the interests of consumers. PTA, led by a Chairman and supported by members specializing in technical, financial, and compliance domains, oversees the regulation and development of Pakistan's telecom sector. Assisted by various departments, PTA's core functions include managing telecom licenses, ensuring regulatory compliance, promoting fair competition, protecting consumer rights, managing spectrum allocation, resolving disputes and fostering innovation in the sector.⁸

2.1.3. Pakistan Telecommunication Rules, 2000

24. Building on the 1996 Act, the Pakistan Telecommunication Rules, 2000 (the **2000 Rules**) elaborate on the operational mechanics of the telecom industry. The 2000 Rules prescribe procedures for licensing, spectrum management, dispute resolution and the protection of consumer interests. These Rules also reinforce the PTA's role as the central body overseeing compliance with telecom regulations and resolving any disputes between service providers and consumers.

2.1.4. Telecommunication De-Regulation Policy, 2003

25. In 2003, the Telecommunication De-Regulation Policy (the **2003 Policy**) was introduced.⁹ This was considered as a major milestone in Pakistan's telecommunication

⁸ <https://www.pta.gov.pk/category/functions-1487939166-2023-05-30>

⁹ <https://www.pta.gov.pk/assets/media/telecom25092003.pdf>



sector, transforming it from a monopolistic regime to a competitive market-driven landscape. The 2003 Policy, *inter alia*, paved the way for new mobile network operators (MNOs) and internet service providers (ISPs) to enter the market. This shift sparked intense competition, investment, and innovation, yielding improved service quality and expanded accessibility. Key reforms introduced by the 2003 Policy included a licensing regime to regulate market entry, privatization of PTCL and establishment of the Universal Service Fund¹⁰ (USF) to promote infrastructure development in the underserved telecommunication coverage areas. These reforms aimed to attract private sector investment, enhance service quality, and increase accessibility, ultimately driving sector growth and development.

26. Pursuant to the 1996 Act and the 2003 Policy, PTA issued licenses to a variety of operators, including MNOs, ISPs, Long-Distance and International (LDI), and fixed Local Loop (LL) operators. This licensing regime was designed to ensure that all operators adhere to the rules and maintain high standards of service. By fostering a welcoming environment for new entrants, the 2003 Policy played a crucial role in the growth and diversification of the telecom sector, ultimately providing a competitive landscape which benefitted consumers with more choices and services.

2.1.5. Mobile Cellular and Broadband Policies, 2004

27. The Mobile Cellular Policy of 2004¹¹ expanded market access by introducing additional mobile licenses, thus enhancing coverage and service quality, particularly in rural regions. At the same time, the Broadband Policy of 2004¹² addressed the growing digital divide, incentivizing telecom companies with tax relief to extend broadband infrastructure and services to underserved areas.

2.1.6. The Interconnection Guidelines, 2004

28. PTA has issued the Interconnection Guidelines, pursuant to which all operators are obliged to provide interconnection to other operators desiring to interconnect.

¹⁰ USF is established under section 33A of the 1996 Act. USF shall be utilized exclusively for providing access to telecommunication services to people in the un-served, under-served, rural and remote areas and other expenditure to be made and incurred by the Federal Government in managing USF.

¹¹ <https://www.pta.gov.pk/assets/media/mobile-cellular-policy-jan-28-2004.pdf>

¹² <https://www.pta.gov.pk/assets/media/bbp.pdf>



Interconnection is permitted at any technically and economically feasible point. Where an operator submits its request for interconnection with another, the former is required to respond in writing. It may accept the request completely or partially. It can only deny the request in its entirety if it issues reasons which have been given fairly.

29. Further, the operator with SMP is obliged to prepare and submit its Reference Interconnect Offer (**RIO**) to the PTA within one month of its determination as an SMP operator by the PTA. The SMP operator shall make the RIO publicly available within 7 days after approval by the PTA.
30. After the receipt of an interconnection request, both parties shall mutually negotiate interconnection terms and conditions, or adopt the RIO, as the case may be. The negotiations shall be completed as soon as possible but not later than 90 days from the date of the interconnection request.
31. Subject to the Interconnection Disputes Resolution Regulations, an operator may file a claim with the PTA in the format set out in the Annex to those regulations, if that operator is unable to reach an agreement with the other party: (a) on an interconnection arrangement; or (b) on a dispute arising out of a subsisting interconnection agreement, and such failure to agree continues for 60 days after the request for the interconnection arrangement was made or the dispute was raised; provided that, in relation to subparagraph (b), the PTA may entertain a claim before the end of 60 days.
32. Charges for interconnection (e.g. switched services) and/or network access (e.g. wholesale leased lines) are relevant for all fixed, mobile and other services. The Interconnection Guidelines provide, *inter alia*, that PTA shall approve the level and structure of interconnection charges. The structure of interconnection charges should be based on the nature of services and facilities provided by the operators and the operator shall charge these services accordingly. Subject to the foregoing, an operator is entitled to determine its rates for interconnection services provided that the same can be objectively justified on the basis of costs incurred in providing such services. These tariff(s) are required to be approved by the PTA from time to time.



2.1.7. The Telecommunications Policy, 2015

33. The Telecommunication Policy, 2015¹³ framed by the Federal Government under Section 8 of the 1996 Act, (the **Telecom Policy**) provides a framework for the growth and regulation of Pakistan's telecommunications sector, focusing on aligning it with global standards and supporting digital transformation. Key provisions include promoting infrastructure sharing to reduce costs, efficient spectrum management for emerging technologies like 4G and 5G and enhancing access to telecom services in underserved areas through USF. It emphasizes consumer protection by ensuring quality service and transparent billing, fostering market competition to prevent monopolistic practices, and encouraging broadband infrastructure development to achieve Digital Pakistan Policy¹⁴ goals. The policy aims to create a competitive, efficient, and innovative telecom sector to drive socio-economic development while ensuring compliance with the regulatory framework developed by PTA and the Government of Pakistan.

2.1.8. Interconnection Dispute Resolution Regulations, 2004

34. The Interconnection Disputes Resolution Regulations, 2004¹⁵ outline the process for resolving disputes between telecom operators regarding interconnection agreements. PTA is empowered to act as a neutral mediator, ensuring fair access to telecom infrastructure and preventing monopolistic practices that could undermine competition.

2.1.9. Frequency Allocation Board (FAB)

35. The Frequency Allocation Board (**FAB**) was established under Section 42 of the 1996 Act to takeover functions of the then Pakistan Wireless Board. It holds sole responsibility for managing the country's radio frequency spectrum. FAB allocates and assigns radio frequencies to various entities, including government agencies, telecommunication service providers, telecommunication systems operators, radio and television broadcasters, and public and private wireless operators. Radio frequencies are assigned with associated technical parameters for all wireless networks after technical evaluation on spectrum management tools, formulation/review of the National Frequency Spectrum Plan and suggested means for optimized spectrum utilization, international coordination

¹³ <https://www.usf.org.pk/storage/rules-policies/1635420671-telecommunications-policy-2015-approvedpdf.pdf>

¹⁴ https://moib.gov.pk/Downloads/Policy/DIGITAL_PAKISTAN_POLICY%2822-05-2018%29.pdf

¹⁵ <https://www.pta.gov.pk/assets/media/interconnection-disputes-resolution.pdf>



and agreements with other administrations in relation to various satellites and terrestrial based communication networks, fulfilling national obligations as contained in international treaties of the ITU, etc., monitoring of spectrum for the detection of unauthorized wireless stations, site clearance of all wireless installations in the country. Pursuant to Section 43(5) of the 1996 Act, applicants seeking radio frequency spectrum allocation must initially submit their requests to PTA. In collaboration with PTA, FAB ensures that spectrum is allocated efficiently and in a manner that supports the expansion of telecom networks and services. A crucial part of managing the telecom sector is making sure that the radio frequencies used by mobile networks are properly regulated.

2.1.10. Spectrum Auctions and Transfers

36. PTA conducts spectrum auctions to allocate spectrum to telecom operators. Spectrum transfers, typically arising from mergers or acquisitions, are subject to the approval of both PTA and FAB to ensure that such transfers comply with regulatory requirements and standards and do not disrupt market competition. Under Section 8 read with Section 21 of the 1996 Act, PTA conducts spectrum auctions, with FAB categorizing services and assigning frequencies. In mergers or acquisitions, spectrum rights and obligations transfer to the acquiring entity, provided all license conditions, including payments and rollout obligations, are fulfilled.

2.2. Licensing Framework

2.2.1. Licensing Requirements

37. Under the 1996 Act, no entity may establish, maintain, or operate a telecommunication system or service without authorization from the PTA, nor connect terminal equipment to non-public networks without prior approval. Licenses issued under the 1996 Act may include conditions such as adherence to laws, fee payments, inspections, service quality standards, equitable service provision, consumer protection, and contributions to the R&D and USF Funds. Restrictions may also apply regarding the scope of services, geographical coverage, equipment use, license transfer and service interruptions. PTA's Licensing Division regulates telecom service provision, processes frequency allocation applications and issues licenses across various categories, including Cellular Mobile Operators (MNOs), Wireless Local Loop (WLL), Long Distance and International (LDI), Fixed Local Loop (FLL), Telecom Tower Providers (TTP), Telecom



Infrastructure Providers (TIP), and Class Value-Added Services (CVAS), covering Pakistan, AJK and GB.¹⁶

2.2.2. Non-Transferability of Licenses

38. According to Rule 11 of the 2000 Rules, licenses granted under the 1996 Act are non-transferable and non-assignable. Licensees cannot sub-license or hold licenses on trust for others without obtaining prior written consent from PTA. Further, Rule 11(5) requires licensees to notify PTA in writing of any proposed changes to substantial ownership or control. The notice must include comprehensive details of the proposed change.
39. If PTA determines that the change may compromise the licensee's ability to provide licensed telecommunication services, it reserves the right to impose additional conditions on the licensee. These conditions must be reasonable and directly relevant to the proposed change, ensuring the continuity and quality of telecommunication services. The terms 'control' and 'substantial ownership interest' bear the following meanings: (i) 'control' means the ability to direct the exercise, whether directly or indirectly and whether through one or more entities of more than 50% of the voting rights exercisable at any general meeting of the shareholders of the licensee; and (ii) 'substantial ownership interest' means more than 10% of the issued share capital of the licensee.

2.2.3. SMP Determination and Reference Interconnect Offer (RIO)

40. PTA plays a crucial role in evaluating and determining the market power of telecom operators. Factors such as market share, control over critical infrastructure and the ability to influence pricing are taken into consideration. Operators identified as SMP, pursuant to Rule 17 of the 2000 Rules, are subject to close regulatory oversight to maintain market fairness and competition. An operator designated as a SMP is required to prepare and submit its RIO to PTA within one month of its SMP designation. Following PTA approval, the SMP operator must make the RIO publicly available within seven days.

¹⁶ <https://www.pta.gov.pk/category/licensing-721279833-2023-05-30>



2.3. Specific Telecom Services and Consumer Rights

2.3.1. Long-Distance and International (LDI) Service

41. By virtue of LDI licenses and associated regulatory frameworks, PTA regulates LDI services to ensure fair pricing and the effective interconnection of networks. These frameworks protect consumers by guaranteeing reliable international communication services at competitive rates and ensuring operators meet the required service standards.

2.3.2. Consumer Rights under NGMS License

42. The Next Generation Mobile Services (NGMS) license¹⁷ and spectrum allocation and assignment enables MNOs to provide wireless and data services to smartphones. The license includes, *inter alia*, comprehensive consumer protection provisions. Operators are required to meet service quality standards, ensure transparency in service terms, protect user data and establish efficient mechanisms for consumer complaints and dispute resolution. These provisions are designed to enhance consumer trust and satisfaction while ensuring access to affordable and high-quality telecom services.

2.3.3. Mobile Number Portability (MNP) Regulations, 2005

43. Introduced in 2005, MNP Regulations¹⁸ allow consumers to retain their mobile numbers when switching between MNOs. This framework promotes consumer mobility, fosters competition and encourages telecom operators to enhance service quality and customer satisfaction. Regulation 3 of the MNP Regulations requires all MNOs to offer MNP to their subscribers. However, the local loop licensees are not required to make available number portability to their customers or other operators unless PTA so requires.

2.3.4. Price and Consumer Protection Regulations, 2009

44. The Consumer Protection Regulations, 2009¹⁹ outline PTA's role in safeguarding consumer rights within the telecommunication sector. PTA ensures that service providers comply with these regulations, including addressing consumer complaints, ensuring

¹⁷ <https://www.pta.gov.pk/category/pta-renews-cellular-ngms-licenses-of-three-operators-in-ajk-gb-875746742-2023-06-01>

¹⁸ <https://www.pta.gov.pk/assets/media/number-portability.pdf>

¹⁹ <https://www.pta.gov.pk/assets/media/consumer-reg-090409.pdf>



service quality, protecting consumers from unfair practices and promoting transparency in billing and customer service. PTA also resolves disputes, enforces service standards, and ensures operators meet their obligations to consumers. Additionally, consultation on regulating tariffs is currently in progress by PTA to ensure fair pricing for consumer.

2.4. Market Overview

2.4.1. Fixed-Line Operators

45. Fixed-line operators are telecommunication service providers that deliver voice, data, and internet services through physical cables such as copper wires or fiber optics cables. Unlike mobile operators, their services are stationary and rely on landline infrastructure to connect homes, businesses and institutions. Currently, there are 191 fixed lined operators in Pakistan licensed by PTA.²⁰

2.4.2. Mobile Network Operators (MNOs)

46. Currently, Pakistan has four cellular mobile operators: Telenor Pakistan, Pakistan Mobile Communications Limited (PMCL/Jazz), PTML (Ufone), and China Mobile Pakistan (CMPak/Zong).²¹ These operators provide services using technologies such as GSM, WCDMA, and LTE. The issuance of cellular mobile licenses depends on a Policy Directive from the Federal Government. Once such a directive is received, PTA initiates the licensing process, which involves preparing an Information Memorandum, consulting with potential applicants, conducting an auction and awarding the license and spectrum.

2.4.3. Infrastructure Service Providers

47. Telecom infrastructure service providers require the Telecommunication Infrastructure Provider (TIP) license²² which allows the licensee to establish, maintain, lease, rent and/or sell telecom passive infrastructure facilities in Pakistan, subject to the terms and conditions contained in the license. The licensee is not authorized to provide any telecommunication/broadcasting service. Moreover, similar to the obligations listed in the LDI License, the TIP has to comply with the orders of PTA that are intended to promote competition in respect of that relevant market or markets ancillary thereto, including without imposing any limitation on providing access to its ducts, poles, towers

²⁰ https://www.pta.gov.pk/assets/media/fl_list_23092020.pdf

²¹ <https://www.pta.gov.pk/category/cellular-mobile-1185498158-2023-05-30>

²² <https://www.pta.gov.pk/category/infrastructure-license-792245176-2023-05-30>



or other similar facilities for use by licensed telecom Infrastructure Facility Providers. In case a TIP is declared as an operator holding SMP, it shall comply with all obligations imposed under the relevant rules, regulations and licenses.

2.4.4. LDI Service Providers

48. LDI services are provided under an LDI license, allowing licensees to offer long-distance and international telecommunication services, establish and operate their telecommunication systems and provide public voice and data services as required by regulations. The license prohibits undue discrimination or preference in service provision, interconnection, or international bandwidth, and mandates that licensees comply with competition-promoting orders if they hold SMP. For SMP licensees, PTA can regulate pricing, terms and conditions of services, requiring prior approval for any price increases. All licensees must notify PTA 30 days in advance of any proposed price hikes, which PTA can approve or disapprove.



3. RELEVANT MARKETS AND COMPETITION ASSESSMENT

3.1. Defining the Relevant Markets

49. Section 2(1)(k) of the 2010 Act defines the relevant market as under:

“relevant market” means the market which shall be determined by the Commission with reference to a product market and a geographic market and a product market comprises all those products or services which are regarded as interchangeable or substitutable by the consumers by reason of the products’ characteristics, prices and intended uses. A geographic market comprises the area in which the undertakings concerned are involved in the supply of products or services and in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighboring geographic areas because, in particular, the conditions of competition are appreciably different in those areas;”.

50. Based on the referred three dimensional criteria in the 2010 Act, i.e., *“interchangeable or substitutable by the consumers by reason of the products’ characteristics, prices and intended uses”* the Commission shall identify the relevant markets, including those determined in the Phase I Order and additional markets identified during the Phase II Review. The purpose of identifying a relevant market is to carry out a comprehensive analysis of the anti-competitive effects of the merger within that market.

51. The Commission adopts a two-pronged approach for determining substitutability, in line with best international practices:²³

(a) *Demand-side substitution*: the Commission assesses whether customers can easily switch between different products or services in the relevant market. Key factors include pricing, service quality and the availability of alternate products or service providers.

(b) *Supply-side substitution*²⁴: the Commission evaluates the ease with which new entrants or existing competitors (suppliers) can adjust their services to compete with the merged entities in the relevant market.

²³ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31997Y1209\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31997Y1209(01)) pp. 15-20

²⁴ Supply side substitution addresses the questions of whether, to what extent, and how quickly, undertakings would start supplying a market in response to a hypothetical monopolist attempting to sustain supra competitive prices <https://assets.publishing.service.gov.uk/media/5a7cbf4ced915d68223624dc/oft403.pdf>



52. The substitution analysis is crucial in determining whether the merger will reduce competition by limiting substitution options for consumers, potentially resulting in higher prices and reduced quality and innovation.

53. The Notifying Parties have submitted that pursuant to PTA's Consultation on Identification of Relevant Markets and SMP Operators in Pakistan, issued in October 2019 (the **2019 SMP Consultation**), the relevant product markets in which both PTCL and TP, including their telecommunications-related subsidiaries operate and which may be affected by the proposed merger, are as follows:

- (a) Retail LDI Fixed-line Telecommunication Market;
- (b) Retail Mobile Telecommunication Market;
- (c) Wholesale Domestic Leased Line Market;
- (d) Wholesale IP Bandwidth Market; and
- (e) Wholesale Individual Mobile Interconnection Market.

54. In PART 3A, para 3.1 of the Application, the Notifying Parties provided that in addition to the above relevant markets, there is an overlap in an additional reportable market identified as *Telecom Infrastructure*. According to the Notifying Parties, "*this apparent intersection does not adversely impact competition; in fact, may enhance competition.*"

55. The concerned stakeholders, in particular Wateen, have also identified certain markets/sub-markets in which the Merger Parties are operating and which may be impacted by the merger. These markets are as follows:

- (a) Wholesale LDI Fixed-line Telecommunication Market/International Incoming Voice Services Market;
- (b) Domestic Private Leased Circuit (DPLC);
- (c) Long Haul IRU Services Market;
- (d) Tower Fiberization Market; and
- (e) Co-location Services Market.

56. The Commission shall assess the above mentioned markets in accordance with the criteria laid down in Section 2(1)(k) of the 2010 Act in order to determine whether these are relevant for the purpose of this Order.



3.2. Competition Assessment

3.2.1. Legal Test

57. Once relevant markets are identified, the Commission will carry out a competition assessment of the said markets. The competition assessment of a merger requires a multidimensional approach that, *inter alia*, considers economic, financial, legal and market-specific factors to ensure that a transaction does not result in substantial lessening of competition (SLC). The Commission's assessment draws upon the 2010 Act, the Merger Regulations, relevant theories of harm, creation or strengthening of dominant position (Section 11) and the relevant guidelines as well as precedents from competition authorities across international jurisdictions.

58. Under Section 11 of the 2010 Act, in the Phase II review process, the Commission shall assess *whether the merger substantially lessens competition by creating or strengthening a dominant position in the relevant market and shall give its decision on the proposed transaction*. If the Commission *determines* that the intended merger *substantially lessens competition by creating or strengthening a dominant position*, *it may nonetheless approve* the transaction, if the efficiencies provided in sub-Section (10) of Section 11 are substantiated. If, however, the Commission determines that the transaction under review does not qualify the efficiencies criteria specified above, it may, under sub-Section (11) of the Section *ibid*:

- (a) *prohibit the consummation of the transaction;*
- (b) *approve such transaction subject to the conditions laid by the Commission in its order;*
- (c) *approve such transaction on the condition that the said undertakings enter into legally enforceable agreements specified by the Commission in its order.*

59. Regulation 10(2) of the Merger Regulations stipulates that in assessing whether a merger substantially lessens competition, *"the Commission shall assess the strength of competition in the relevant market, and the probability that the merger parties in the market after the merger will behave competitively or co-operatively"*, and shall take the following factors into account while doing so:

- (a) *"the actual and potential level of import competition in the market;*



- (b) the ease of entry into the market, including tariff and regulatory barriers;
- (c) the level and trends of concentration, and history of collusion, in the market;
- (d) the degree of countervailing power in the market;
- (e) the dynamic characteristics of the market, including growth, innovation, and product differentiation;
- (f) the nature and extent of vertical integration in the market;
- (g) whether the business or part of the business of a merger party or merger has failed or is likely to fail; and
- (h) whether the merger situation will result in the removal of an effective competitor.”

60. The above assessment approach includes examining the horizontal, vertical and conglomerate effects of the merger, assessing the market power and considering potential anti-competitive concerns in the relevant market.
61. Horizontal effects involve evaluating whether the merger will reduce competition between undertakings operating at the same level of the supply chain, while vertical effects consider whether the merger will allow the parties to leverage market power across other markets to stifle competition.
62. The assessment also addresses, *inter alia*, the benefits of the merger to consumers by examining the potential impact on prices, quality, innovation and choices.

3.2.2. Analysis of Market Shares and Concentration

63. While carrying out the assessment, the Commission, *inter alia*, takes into account the data on market shares of the undertakings involved and concentration in each relevant market. In the telecom market, market shares and concentration levels can be calculated using various metrics, such as the number of subscribers, revenue or traffic volume. These metrics help determine each operator’s position in the market. Primarily, the data has been sourced from PTA²⁵ and the Merger Parties. A standard formula normally used for calculating market share in the telecommunication sector is by dividing the operator’s total subscribers, revenue or traffic by the total market value, and then multiplying that figure by 100 to express the share as a percentage.

²⁵ In carrying out the Competition Assessment, the Commission relied on PTA’s data up to the Year 2023.



64. The Herfindahl-Hirschman Index²⁶ (HHI) is a widely used measure of market concentration in competition analysis. It is calculated by squaring the market shares of all firms and summing them. The HHI ranges from 0 (highly competitive) to 10,000 (monopoly), indicating market concentration. For instance, if:

A: 50% B: 18% C: 13% D: 10% E: 5% F: 4%

The HHI will be calculated as follows:

$$(50)^2 + (18)^2 + (13)^2 + (10)^2 + (5)^2 + (4)^2$$

$$2500 + 324 + 169 + 100 + 25 + 16 = 3134$$

65. If the

- **HHI < 1,500:** The market is considered competitive.
- **HHI between 1,500 and 2,500:** The market is moderately concentrated.
- **HHI > 2,500:** The market is highly concentrated.

66. The following paragraphs offer a structured evaluation of the proposed Transaction, focusing on its impact on competition whilst taking account of the market share of the Notifying Parties and concentration levels in the relevant markets identified.

67. While going into the competition assessment, the Commission will first consider the preliminary objections raised by the stakeholders.

²⁶ HHI is used to assess the competitive impact of mergers, with a significant increase raising concerns about reduced competition. However, it has limitations: it overlooks factors like entry barriers, market behavior, innovation, assumes equal competitiveness among firms and is sensitive to small market share changes. Despite these drawbacks, HHI remains a key tool for evaluating market concentration in merger scenarios, offering a clear, quantitative measure for regulators.



4. ASSESSMENT OF PRELIMINARY OBJECTIONS

4.1. Ancillary Restrictions

68. As a preliminary objection, Wateen raised concerns regarding redacted details in PTCL's merger application. In particular, it raised concerns over the post-merger structure of TP and PTML and the terms of the amalgamation. Wateen believes that the lack of transparency impedes market players' ability to fully assess the merger's impact on competition.
69. Wateen contented that either the Applicant or the Commission, under Regulation 21(3) of the Merger Regulations must disclose: (i) the ancillary restrictions associated with the merger/Transaction; and (ii) the strategic and economic rationale for the merger/Transaction. The Commission, however, finds that according to well established principles of confidentiality given in the Merger Regulations,²⁷ a balance has to be struck between providing stakeholders with sufficient information to assess the merger and safeguarding commercially sensitive data. Where legitimate confidentiality claims exist, it is incumbent upon the regulatory authority to determine if such redactions impede the proper evaluation of the merger's competitive impact.
70. After consulting the Applicant, the Commission shared the un-redacted version of the economic rationale with Wateen as provided by the Applicant in the Application. However, since the ancillary restrictions in the Application consist of contractual promises of a sensitive commercial nature between the transacting parties, the Commission did not find it necessary to share it with Third Parties. Instead, the Commission considered it more appropriate to maintain the confidentiality of these details in accordance with the Merger Regulations. It may be noted that the ancillary restrictions do not jeopardize Wateen or any competitor's interest in any way.
71. Additionally, the Commission is of the considered opinion that the non-confidential version of the Application provides adequate information to stakeholders to understand the proposed Transaction. The Commission holds that the objection on confidentiality, in this

²⁷ Regulation 2(1)(h) "confidential information" means- (i) the commercial information of an undertaking(s), the disclosure of which would or might, in the opinion of the Commission, significantly harm the legitimate business interests of the undertaking to which it relates; or (ii) the information relating to the private affairs of an individual, the disclosure of which would or might, in the opinion of the Commission, significantly harm the individual's interests; or (iii) the information the disclosure of which would, in the opinion of the Commission, be contrary to the public interest;



peculiar case, does not warrant the blocking of the merger and is not tantamount to any procedural irregularity as it is only the commercially sensitive information that has not been shared with the Third Parties

4.2. Filing of Exemption Application

72. CMPak's counsel stated that it adopts Wateen's concerns and further contended that the Notifying Parties must have filed a separate application seeking exemptions with regard to the ancillary restraints imposed on the Transaction. The Counsel for PTCL responded that PTCL did not find it obligatory to file an exemption application for approval of the subject ancillary restrictions. The Commission, however, directed the Applicant to submit an explanation for not filing a separate exemption application. The Applicant filed an Exemption Application on 29.10.2024, which shall be dealt with by the Commission in accordance with the Exemption Regulations.



5. LDI FIXED-LINE TELECOMMUNICATION MARKET (LDI MARKET)

5.1. Defining the Relevant Market

73. *In the matter of Phase II Review of Amalgamation of Pakistan Mobile Communication Limited and Warid Telecom (Private) Limited Case 773/Merger/CCP/15, 2016*²⁸ (the **Warid Merger** order), the Commission noted that LDI services provide end-to-end communication between locations either outside the same local calling area or more than 25 kms apart, with one point in Pakistan and the other abroad. Currently, a total of 21²⁹ LDI licensees have been issued licenses by PTA to operate in Pakistan, AJK & GB.

5.1.1. Submissions of Notifying Parties³⁰

74. According to the Notifying Parties, *“PTA has officially recognized retail LDI fixed-line telecommunications market as a distinct product market, encompassing outgoing domestic and international traffic, as well as retail services such as carrier selection and calling cards, however, excluding international incoming traffic. Accordingly, PTA has granted licenses for establishing, maintaining, and operating a public fixed switched network for provision of the above-mentioned services and both PTCL and TP (through its subsidiary Telenor LDI Communications (Pvt.) Ltd.) are licensees.”*
75. Moreover, *“the product/service offerings provided by both PTCL and TP exhibit overlap in the nature of services rendered by the two entities in the specified market. When calculating market shares for this market, the key factor is the revenues generated from licensed LDI Telecommunications services, which should include call charges for long-distance and international outgoing calls, regardless of whether they were collected directly from customers or through other operators (excluding call transit charges). The calculation of market share would also incorporate revenues from calling cards, if applicable. However, revenues from international incoming calls would be excluded from the overall revenue base.”*
76. Regarding geographic scope it was submitted that *“[t]his product/services market can be geographically divided into three markets: Pakistan, AJK & GB markets. These markets*

²⁸ <https://appadminccp.ec.gov.pk/mergerorders/5cbb1c4e818347e84b3be9752d416a07.pdf>

²⁹ https://www.pta.gov.pk/assets/media/sr7_ldi_lic_pak_22-02-2024.pdf

³⁰ PART 3B, para 6.1(F) of the Application



are common for the merging parties and are operated through their respective subsidiaries.”

5.1.2. Wateen’s Contentions

77. Wateen submitted that the “LDI Fixed Line Telecommunication service is not restricted to a retail market. There is a wholesale side to these services, which LDI operators provide. This may be considered a separate market or a sub-market within the LDI voice services. Classically, only the retail side of the LDI Voice Services market is identified as a market and international incoming voice traffic ... is excluded.”
78. In response, the Applicant relied on para 47 of the Warid Merger order³¹. The Applicant stated that “[t]he “Inbound Voice Service Market” is a market that is not recognized both by PTA and CCP...Wateen is desirous to define it as such for the sole purpose of supporting its claim of input foreclosure.” The Applicant suggested that “[s]ector regulator may define and redefine markets depending on impact on competition”.³²

5.1.3. Commission’s Assessment

79. In the 2021 SMP Determination,³³ PTA recognized that retail LDI Fixed Line Telecommunication market is a distinct product market, encompassing outgoing domestic and international traffic (voice and data) and related retail services, such as carrier selection and calling cards. Technically, however, all LDI licensees are authorized to provide inbound voice services to foreign carriers and local carriers, which they pass on to the last mile service providers i.e. MNOs or Local Loop Operators. In this market the MNOs and LL Operators (LLOs) are the service providers for LDI operators. These MNOs/LLOs charge a termination rate to the LDI operators to terminate the call originating from abroad. In the Warid Merger order, the Commission recognized both

³¹Paragraph 47 “...That the market for interconnect is not mentioned in its consultation paper for determining relevant markets issues in March 2014 suggests that the PTA does not consider this would have an appreciable impact on competition”

³²PTCL’s Rebuttal dated 25.10.2024 (email)

³³PTA’s Determination on SMP Operators in its Retail LDI Fixed-Line Telecommunications Market in Pakistan dated 17 August 2021 and PTA’s Determinations on SMP Operators in Retail Mobile Telecommunications Market in AJK and GB dated 21 May 2021 <https://www.pta.gov.pk/category/authoritys-determinations-1069818154-2023-05-30>



incoming and outgoing international traffic in the LDI Fixed Line Telecommunication Market.³⁴

80. The Commission also inquired from PTA as to whether there is a wholesale component to LDI Fixed Line Telecommunication Market. In its response dated 14.11.2024, PTA stated that “[f]rom PTA’s perspective there is distinction between wholesale and retail LDI services in its market analysis in regulatory framework. Wholesale LDI services generally involve operators providing capacity or transit service to other telecom operators while retail LDI services cater end-users for long distance and international calls through local service providers.”

81. In view of Wateen’s submissions and PTA’s response, the Commission observes that wholesale LDI services constitute a distinct and identifiable component of the LDI Fixed Line Telecommunication Market. Whereas retail LDI services are directed towards end-users through local service providers for long-distance and international calls, wholesale LDI services consist of the business-to-business provision of international carriage and transit capacity by LDI operators to other telecom operators, both domestic and foreign. In this market structure, LDI operators hand over inbound international traffic to MNOs and Local Loop Operators for termination, against which termination charges are levied. The regulatory framework of PTA also explicitly recognizes this distinction, affirming that wholesale LDI services pertain to capacity or transit provided to operators, while retail LDI services cater directly to end-users. On the basis of this distinction, and consistent with its past precedent, the Commission considers it appropriate not to confine its assessment to the Retail LDI Fixed-Line Market as identified by the Notifying Parties. The Commission will also examine the International Incoming Voice Services Market, as highlighted by Wateen, which essentially represents the wholesale segment of the LDI Fixed-Line Market, in order to ensure a comprehensive competition analysis.

(a) Substitution Analysis

(i) Retail LDI Fixed-Line Telecommunications Market

82. The demand-side substitution will assess whether customers (MNOs and other LDI operators) can easily switch between different LDI operators. The Notifying Parties have

³⁴ Paras 59-63 of Warid Merger Order



submitted in the Application, that “PTCL’s retail LDI telecommunication market share in terms of total revenue was calculated as 72.8% in 2019.” PTCL has also submitted that post-merger “Telenor LDI will also become a subsidiary of [MergeCo] and PTCL will assume indirect control of the entity.” The limited capacity of alternative LDI service providers vis-à-vis PTCL’s control over TPLDI may create switching barriers for customers, thus weakening the demand-side substitution.

83. With respect to supply-side substitution, the Commission observes that the LDI market has high entry barriers due to existing regulatory requirements, high costs of licenses, and substantial infrastructure investments required to operate. Smaller competitors could face significant challenges in matching PTCL’s longstanding market presence with extensive infrastructure, thereby limiting their ability to enter and expand in this market.

(ii) Wholesale LDI Fixed-Line Telecommunications Market (International Incoming Voice Services (IIVS))

84. The Commission notes that LDI operators function as intermediaries in the wholesale LDI segment by entering into agreements with international aggregators to bring inbound international voice traffic into Pakistan, which is then delivered through the networks of MNOs or LLOs. To terminate such calls, LDI licensees must maintain termination agreements with MNOs, as the termination of international traffic on domestic networks cannot be executed without their participation. Accordingly, the ability of LDI operators to provide services to foreign carriers is inherently dependent upon access to MNO networks, underscoring the wholesale nature of this segment within the LDI Fixed-Line Market.

5.1.4. Concluding Remarks

85. The Commission concludes that the LDI market is characterized by limited substitutability and is subject to significant competitive constraints. This market comprises national and international outgoing traffic as well as international incoming traffic, the latter representing the wholesale International Incoming Voice Services (IIVS) segment. Accordingly, the Commission determines that the LDI Fixed Line Telecommunication Market, inclusive of IIVS, constitutes the relevant market for the assessment of the proposed merger, and that this market is national in scope.



5.2. Assessment of LDI Fixed-Line Telecommunication Market

86. The Government of Pakistan deregulated the LDI market in 2004. The LDI market now hosts more than 20 players, making it one of the most competitive segments of the telecommunication sector. The deregulation allowed multiple firms to enter the market increasing competition and bringing down the cost of international calls and related services. Key players in this market include PTCL, CMPak, LinkDotNet, Multinet, Telenor, Wateen Telecom, Telecard, REDtone, and other smaller operators. The proposed Transaction presents both opportunities and challenges for this already crowded market.

5.2.1. Analysis of Market Shares and Concentration

87. The Notifying Parties submitted that *“as per PTA’s Determination³⁵, and based on information provided by the operators, PTCL’s retail LDI telecommunication market share in terms of total revenue was calculated in 2019. Due to the technical complexity involved in calculating this figure, this is the most recent available information. PTCL and TP are both present in this market, however, the market shares are difficult to ascertain and the Commission may seek this information directly from the PTA. In any case, according to PTA’s Determination (above), the declared SMP (significant market player) remains PTCL in Pakistan and SCO (Special Communications Organization) in AJK and GB and therefore there will be no creation of dominance in this market as a result of the proposed Transaction.”*

(a) International Incoming Traffic by LDI Operators (Minutes)

88. The table below presents the distribution of international incoming traffic among LDI operators from 2021 to 2023 offering insights into the market dynamics and performance of various players.

Operator	2021	2022	2023
PTCL	18.7%	19.6%	21%
TPLDI	10.6%	9.7%	6.7%
Combined	29.3%	29.3%	27.7%

³⁵ PTA’s Determination on SMP Operators in Retail Mobile Telecommunications Market in Pakistan dated 23 July 2021 and PTA’s Determination on SMP Operators in Retail Mobile Telecommunications Market in AJK and GB dated 21 May 2021



CMPak	17.2%	16.9%	16.5%
LinkDotNet	27.5%	28.1%	30%
Multinet	2.9%	3.5%	2.1%
REDtone	4.0%	3.1%	2.6%
Wateen Telecom	2.1%	3.3%	5.1%
Telecard	1.4%	1.4%	1.2%
Others	15.5%	14.4%	14.8%

Source: PTA

89. The above data shows that PTCL's share steadily increased from 18.7% in 2021 to 21% in 2023. TPLDI, on the other hand, experienced a significant decline, dropping from 10.6% in 2021 to 6.7% in 2023. The combined share of PTCL and TPLDI decreased from 29.3% in 2021 to 27.7% in 2023.

90. Both Wateen Telecom and LinkDotNet demonstrated growth. Wateen's share increased from 2.1% in 2021 to 5.1% in 2023 whereas LinkDotNet's share increased from 27.5% in 2021 to 30% in 2023, becoming the largest contributor. CMPak LDI dipped slightly from 17.2% in 2021 to 16.5% in 2023. Both Multinet and REDtone also experienced declines. Telecard's share remained stable around 1%, while the other operators experienced a slight decline from 15.5% in 2021 to 14.8% in 2023.

(b) International Outgoing Traffic by LDI Operators (Minutes)

91. The data below shows the allocation of international outgoing traffic among different LDI operators from 2021 to 2023. Analyzing this information offers valuable insights into market dynamics, competitive standings and potential issues related to market dynamics.

International Outgoing Traffic by LDI Operators (Minutes)			
Operator	2021	2022	2023
PTCL	51.70%	50.10%	54.50%
TPLDI	11.70%	10.60%	6.00%
Combined	63.40%	60.70%	60.50%
CMPak	17.70%	20.70%	26.20%
LinkDotNet	15.50%	16.60%	11.70%
Multinet	1.50%	0.40%	0.40%
REDtone	0.30%	0.00%	0.00%
Wateen Telecom	1.40%	1.30%	0.90%
Telecard	0.10%	0.10%	0.10%



Others	0.10%	0.10%	0.10%
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Source: PTA

92. The data shows that PTCL consistently held the largest share of international outgoing traffic, with some fluctuation between 51.70% in 2021 and 54.50% in 2023. TPLDI, on the other hand, has seen a significant decline in its share, dropping from 11.70% in 2021 to just 6.00% in 2023. As a result of which, the combined share of PTCL and TPLDI, fell from 63.40% in 2021 to 60.50% in 2023 due to TPLDI's decline.
93. CMPak LDI has shown substantial growth, with its share increasing from 17.70% in 2021 to 26.20% in 2023. This rise marks a notable shift in the market during recent years. Similarly, LinkDotNet has experienced a decline, from 15.50% in 2021 to 11.70% in 2023.
94. The smaller operators, including Multinet, REDtone, Wateen Telecom, Telecard, and others, have maintained relatively low shares, with some operators, like Multinet and REDtone, experiencing further reductions in their market presence. Overall, while PTCL remains the dominant player, CMPak's growth indicates a shift in the competitive dynamics of the market.

(c) Revenue by LDI Operators

95. The table below shows the allocation of international LDI traffic revenue among different LDI operators from 2021 to 2023. This table does not include PTCL's data because PTCL does not submit separate financial accounts for its LDI segment to PTA.³⁶

Operator	2021	%	2022	%	2023	%
Telenor	6,453	13.84%	9,903	17.37%	11,235	15.61%
CMPak	6,639	14.24%	8,112	14.23%	12,092	16.80%
LinkDotNet	16,671	35.76%	22,321	39.16%	32,138	44.64%
Multinet	1,618	3.47%	1,722	3.02%	979	1.36%
Redtone	1,481	3.18%	1,013	1.78%	1,228	1.71%
Wateen Telecom	8,780	18.83%	9,308	16.33%	8,853	12.30%
Telecard	800	1.72%	972	1.71%	900	1.25%

PTA letter dated 07.05.2024.



Others	4,178	8.96%	3,651	6.41%	4,566	6.34%
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Source: PTA

96. It can be seen from the data submitted by PTA that TPLDI's share has enhanced from 13.84% in 2021 to 15.61% in 2023. CMPak's revenue share has also increased from 14.24% in 2021 to 16.80% in 2023. LinkDotNet's share jumped from 35.76% in 2021 to 44.64% in 2023, while Wateen's share declined from 18.83% in 2021 to 12.30% in 2023. Multinet's share also declined from 3.47% in 2021 to 1.36% in 2023.

97. PTCL has submitted the following information in relation to the revenue generated from its outgoing voice and data traffic according to which it seems to have retained a larger share of the market.

PTCL's Revenue (outgoing voice & Data) ³⁷ (Rs. In Millions)						
Operator	2021	%	2022	%	2023	%
PTCL	25,924	35.74%	28,731	33.51%	34,926	32.67% ³⁸

5.2.2. Competition Assessment

(a) Horizontal Effects

98. In its written response dated 11.10.2024, the Applicant submitted that "[w]ith the merger of Telenor Pakistan with PTML, Telenor LDI will also become a subsidiary of PTML and PTCL will assume indirect control of the entity. In the post-merger scenario, there is no change expected in Telenor LDI's current business model and it will continue to serve its customers as-is, as per the commercial agreements that are in place...Any change in Telenor's LDI business model will be subject to Board approval and future investment plans of MergeCo and any such proceedings will be conducted in accordance with the regulatory standards it is subject to."

99. As noted above, the proposed merger between PTCL and TPLDI will result in consolidation within the LDI market. While PTCL's market share has consistently remained strong, maintaining between 51.70% and 54.50% of international outgoing traffic from 2021 to 2023, TPLDI's market share has declined from 11.70% in 2021 to

³⁷ PTCL's Revenue data is based on the information provided by PTCL on 25 October 2024.

³⁸ According to PTA, PTCL does not submit separate financial accounts for its LDI Segment. PTCL's 2023's data is based on the information provided by PTCL dated 25 October 2024.



6.00% in 2023 suggesting a shift in competitive dynamics. During the same period, Wateen's share declined from 1.40% to 0.90%; whereas LinkDotNet's share decreased from 15.50% to 11.70%. CMPak's share, however, increased from 17.70% to 26.20%. The combined market share of PTCL and TPLDI dropped from 63.40% to 60.50% during this period.

100. In terms of the overall revenue, the market has witnessed an increase from Rs. 46,620 million in 2021 to Rs. 71,991 million in 2023, which signals a growth. This figure, however, does not include PTCL's revenue in the LDI market. PTCL has separately reported its revenue share in the amount of Rs. 25,924 million in 2021 and Rs. 34,926 million in 2023.

(b) Vertical Integration

101. In vertical mergers, a merged entity may restrict the access of rival firms to upstream suppliers or to downstream customers. Restricting rivals' access is referred to as "foreclosure". There are two forms of foreclosure:

(i) *Input foreclosure - restricted upstream access.*

(ii) *Customer foreclosure - restricted downstream access.*³⁹

102. As per best international practices⁴⁰, the Commission's analysis of foreclosure arising from a vertical merger includes an examination of (i) the **ability** of the merged party to foreclose upstream or downstream competitors in spite of competitive constraints and/or consumer behavior, (ii) the **incentive** for the merged entity to foreclose upstream or downstream competitors, and (iii) the likely effect on competition, particularly, whether **foreclosure will result in an SLC**.

(i) Input Foreclosure

103. Wateen raised concerns regarding vertical integration between TP and PTCL and potential input foreclosure⁴¹ for LDI operators. Wateen argued that an effect of the vertical merger

³⁹ Guidelines for Merger Analysis adopted by the Competition and Consumer Protection Commission on 31 October 2014 <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/04/CCPC-Merger-Guidelines.pdf>

⁴⁰ Ibid

⁴¹ In the context of foreclosure CMA Merger Guidelines provide that "Input foreclosure means where a merger involves one party that supplies an input to rivals of the other party, the merged entity may restrict these rivals' access to this input or offer it on worse terms, directly harming the rival's competitiveness and therefore competition in the downstream market."



will be that PTCL will have full control over an upstream supplier, TP, similar to the control it has over Ufone. After being merged with Ufone, TP will get tied to PTCL and it will either no longer provide services/capacity or will provide substantially less services/capacity to Wateen and other LDI operators. Moreover, PTCL's dominance in the LDI market combined with its ability to negotiate more favorable rates with international telecom carriers for international voice traffic and having a captive input supplier i.e. MergeCo, will have impact on other LDI operators.

104. In support of its contentions, Wateen relied on the *EU Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings, (2008/C 265/07) (Official Journal of the European Union, paragraph 31, p. 265/10)* which is reproduced as under:

"Input foreclosure arises where, post-merger, the new entity would be likely to restrict access to the products or services that it would have otherwise supplied absent the merger, thereby raising its downstream rivals' costs by making it harder for them to obtain supplies of the input under similar prices and conditions as absent the merger. This may lead the merged entity to profitably increase the price charged to consumers, resulting in a significant impediment to effective competition."

105. Wateen also relied on *Competition Law by Richard Whish & David Bailey*, Ninth Edition (2018) at p. 900⁴² and *Salop and Culley Potential Competitive Effects of Vertical Mergers: A How-To Guide for Practitioners, Georgetown University Law Center* 2014, p. 14 et seq.⁴³

(ii) Customer Foreclosure

106. PTCL possesses essential infrastructure that is critical for MNOs to provide telecom services. A key concern raised by the stakeholders regarding the vertical integration is that post-merger, PTCL will effectively control entire mobile subscriber base (37.20%) of its associated downstream entities, PTML and TP. Wateen has argued that, following the acquisition, there is a strong likelihood that TP's service requirements will be met

⁴² "Input foreclosure occurs where the merged entity would be likely to restrict access to products or services by competitors in a downstream market, thereby raising their costs and making it harder for them to compete in that market."

⁴³ "A vertical merger can lead to the upstream division of the merged firm denying (i.e., refusing to sell) its input, degrading the quality of the input sold, or discriminating by raising the input price to one or more targeted non-merging firms. If the targeted rivals cannot substitute to other equally cost-effective inputs, their costs will be raised."



exclusively by PTCL, particularly in relation to the LDI services, thereby excluding other LDI service providers such as Wateen. This will amount to customer foreclosure⁴⁴ for Wateen and similarly situated operators. In support of its contention, Wateen highlighted PTML's historical conduct. Wateen asserted that even in the absence of a formal merger between TP and PTML, PTCL's full management control over TP could facilitate preferential treatment and commercial alignment between PTCL and TP to the detriment of competing LDI providers.

107. Wateen further submitted that it is crucial to preserve the existing IRU Dark Fiber and Managed Capacity contracts between Wateen and TP to maintain competitive balance in the market, if the acquisition proceeds. In support of its contentions, Wateen relied on Vertical Mergers in the Technology, Media and Telecom Sector (US note submitted to the OECD Competition Committee meeting, 5-7 June 2019), wherein it is stated that "[a]n additional theory of harm from a vertical merger is customer foreclosure, in which the merging downstream firm refuses to buy from competitors of the upstream supplier, harming upstream rivals and allowing the merged firm's upstream business to raise prices." Wateen also relied on Salop and Culley's Potential Competitive Effects of Vertical Mergers: A How-To Guide for Practitioners, Georgetown University Law Center 2014, pp. 13-14, 20 et seq. wherein it is stated that "a merger could lead to customer foreclosure, by which the downstream division of the merged firm reduces or stops purchasing inputs from the other upstream firms, which then can disadvantage those firms and provide the upstream division of the merged firm with the power to raise its price. Alternatively, the downstream division of the merged firm might threaten to refuse to purchase in order to induce the independent input suppliers to raise the prices that they charge to its downstream rivals."

108. TWA raised concerns similar to those articulated by Wateen, whereas counsel for Zong endorsed and adopted Wateen's arguments during the hearing.

109. In response to the above assertions, PTCL cited a three-part test for foreclosure in vertical mergers which has been endorsed in FTC v. Microsoft (Case No. 23-cv-02880-JSC, 2023) pg. 33, decided by the U.S. District Court for the Northern District of California.

⁴⁴ CMA Merger Guidelines provide that Customer foreclosure is where a merger involves one party that buys inputs from rivals of the other party, the merged entity may restrict these rivals' access to this customer, which would in turn harm the rival's competitiveness and therefore competition in the upstream market.



The court held that “...to establish a likelihood of success on its ability and incentive foreclosure theory, the FTC must show the combined firm (1) has the ability to withhold..., (2) has the incentive to withhold ...from its rivals, and (3) competition would probably be substantially lessened as a result of the withholding.”

110. PTCL argued that the risk of foreclosure is minimal given that “(i) alternative/substitute input/customers are available, (ii) prices are regulated, (iii) framework is regulated by industry specific regulator and access to inputs cannot be restricted due to licensing conditions enforced by a sector-specific regulator”.⁴⁵ PTCL also submitted that the “Inbound Voice Service Market” is a market that is not recognized both by PTA and CCP.... Wateen is desirous to define it as such for the sole purpose of supporting its claim of input foreclosure.” It further stated that “Wateen’s concerns seem more focused on securing its customer base rather than addressing genuine competition issues, using this forum to actually ensure protection for itself.” PTCL relied on United States v. AT&T, Inc., No. 18-5214 (D.C. Cir. 2019), a merger case wherein the U.S. Court of Appeals for the D.C. Circuit found that testimony from third party competitors that the merger would increase Turner Broadcasting’s bargaining leverage was “speculative, based on unproven assumptions, or unsupported”. Moreover, “[t]he district court declined to credit the third-party distributors’ testimony because “there is a threat that [third-party distributor] testimony reflects self-interest” (id. at 211), yet dismissed the suggestion that testimony from the Time Warner executives should be discounted as potentially biased due to self-interest (id. at 219)”.

111. The Commission deems it necessary to highlight here that contrary to the argument put forth by the Applicant, prices are not regulated by PTA except for the MTR. The parties agree on rates in their respective RIOs. Only SMP operators are required to get their RIOs approved by PTA, however, since most operators, including PTCL, have challenged the SMP status in various courts of law, currently there is no check on prices fixed by these operators.

112. The Applicant also submitted that “[m]odern competition law does not perceive foreclosure resulting from vertical arrangements as intrinsically anti-competitive if the overall efficiency gains—such as lower costs and increased capacity—outweigh the anti-

⁴⁵ Rebuttal dated 25.10.2024.



competitive risks (AT&T and Time Warner)". The Applicant while relying on Fruehauf Corp. v. Federal Trade Com., 603 F.2d 345 (1979) (United States Court of Appeals for the Second Circuit) also submitted "[a] vertical merger, unlike a horizontal one, does not eliminate a competing buyer or seller from the market...It does not, therefore, automatically have an anticompetitive effect, or reduce competition...Accordingly, a vertical merger, as distinguished from price-fixing boycotts, or similar arrangements between competitors, does not amount to a per se substantial lessening of competition. Indeed, it may even operate to increase competition."

113. The Commission notes that the Applicant has relied on a part of the judgment that favors its stance. It, however, has ignored the remaining part of the paragraph of the judgment cited above, which completes the principles on foreclosure. In continuation of the para above, the court also observed that:

"As the Supreme Court recognized in Brown Shoe, supra, the fountainhead of § 7 analysis of vertical mergers, the competitive significance of a vertical merger results primarily from the degree, if any, to which it may increase barriers to entry into the market or reduce competition by (1) foreclosing competitors of the purchasing firm in the merger from access to a potential source of supply, or from access on competitive terms, (2) by foreclosing competitors of the selling firm ... from access to the market or a substantial portion of it, or (3) by forcing actual or potential competitors to enter or continue in the market only on a vertically integrated basis because of advantages unrelated to economies attributable solely to integration."

114. It is also important to point out here that the Applicant in its Rebuttal has submitted that "IRUs ... pre-paid by TP are an asset ... [e]xisting contracts would continue to exist as per the terms of the agreement(s); and there is always room to compete on the basis of innovation, technology, quality etc."

115. The Applicant argues that there is no duty to aid competitors and relied on Verizon Commc'ns Inc. v. Law Offices of Curtis V. Trinko, LLP, 540 U.S. 398, 408 (2003) (Verizon v Trinko) wherein the U.S. Supreme Court held that "we do not believe that traditional antitrust principles justify adding the present case to the few existing exceptions from the proposition that there is no duty to aid competitors".

116. The Commission observes that the principle that "there is no duty to aid competitors" is not absolute and is qualified by exceptions. The verdict in Verizon v Trinko itself is suggestive of existence of exceptions to this principle and states that "[a]ntitrust analysis



must always be attuned to the particular structure and circumstances of the industry at issue.” The courts, including the US Supreme Court, have ruled that antitrust laws may, under certain conditions, require a monopolist to engage with a competitor.⁴⁶

117. The Commission also notes that *Verizon v Trinko* was not a merger case. Verizon, an incumbent local exchange carrier, was accused of hindering competition by failing to meet its obligations under the US Telecommunications Act of 1996, specifically the unbundling of network elements for competitors. Verizon’s refusal to comply led to a class action for antitrust violations under Section 2 of the Sherman Act for failing to share its network elements with competitors. The case is therefore distinguishable.

118. Having heard the parties, the Commission’s analysis of foreclosure in a vertical merger shall focus on whether PTCL will have the ability and incentive to foreclose, resulting in substantial lessening of competition in the relevant market. Under Section 11 of the 2010 Act, read with Regulation 10(2) of the Merger Regulations, this determination includes assessing the level and trends of concentration and history of collusion in the market, and whether the merger will result in the removal of an effective competitor. The Commission is also guided by Clause 7 of the Merger Guidelines which provides that “*[in] assessing the competitive effects of a merger, the Commission compares the competitive conditions that would result from the notified merger with the conditions that would have prevailed without the merger. In most cases, the competitive conditions existing at the time of the merger constitute the relevant comparison for evaluating the effects of a merger. However, in some circumstances, the Commission may take into account future changes to the market that can reasonably be predicted. It may, in particular, take account of the likely entry or exit of undertakings if the merger did not take place when considering what constitutes the relevant comparison.*”

119. The Commission has reviewed the data which reflects that the LDI market is characterized by significant fluctuations in market shares among operators. PTCL’s market share in international incoming traffic has increased from 18.7% in 2021 to 21% in 2023, indicating a strengthening position likely because of its extensive infrastructure. In contrast, TPLDI’s share dropped from 10.6% to 6.7%. The combined share has also

⁴⁶ ‘Competition and Monopoly: Single-Firm Conduct Under Section 2 of the Sherman Act, Chapter 7’ (US Department of Justice, archived) <<https://www.justice.gov/archives/atr/competition-and-monopoly-single-firm-conduct-under-section-2-sherman-act-chapter-7>>



experienced a decrease from 29.3% in 2021 to 27.7% in 2023. Notably, LinkDotNet has demonstrated growth, increasing its market share from 27.5% to 30%, while Wateen's share has increased from 2.1% to 5.1%, indicating progress. Overall, this signals a growing but concentrated market that requires regulatory oversight to ensure competition and protect consumer interests.

120. Data suggests that post-merger, PTCL is likely to have an advantage in negotiating better terms with international carriers compared to its competitors. This raises the key concern as to whether PTCL could use its market position to harm downstream competitors by engaging in strategies such as input foreclosure by restricting MergeCo from providing services to LDI operators. On quite a few occasions, PTCL has been accused of being engaged in anti-competitive practices.⁴⁷ The Commission is of the view that PTCL has both the ability and incentive to pursue input foreclosure strategies, resulting in SLC. The Commission also believes that PTCL has the ability as well as incentives to provide LDI input/services to MergeCo, which may result in total or partial customer foreclosure for other LDI service providers.

121. Wateen has argued that in light of its concerns, the merger ought to be blocked. However, it is important to note that pre-emptively blocking a transaction without first considering potential remedial measures does not align with best practices in merger control. A more effective and proportionate approach would be to impose enforceable commitments on PTCL to ensure transparency and non-discriminatory conduct in traffic handling. Regulatory oversight, coupled with such behavioral remedies, can play a critical role in safeguarding competition and promoting fair market access.

(c) Concerns related to EI

122. CMPak's counsel raised concerns regarding PTCL's potential dominance in the EI line⁴⁸ which provides for international voice termination, arguing that this could disadvantage smaller LDI operators. He advocated for a non-discriminatory policy on EI line allocations, emphasizing the need for transparent dealings and monitoring mechanisms to

⁴⁷ On February 14, 2024, Nayatel accused PTCL of not only selling its wholesale internet bandwidth at exorbitant rates, it was also forcing others to not sell it to Nayatel.

⁴⁸ <https://www.gartner.com/en/information-technology/glossary/ei#:~:text=EI%20is%20the%20European%20equivalent,is%20typically%20charged%20by%20distance>. EI is the European equivalent of TI; a common carrier-provided point-to-point digital line service used in private data networks and cellular, Wi-Fi and fixed-network backhaul.



ensure fair access for all operators. It was further explained that LDI operators typically manage a certain percentage of the industry's traffic on their network which varies from operator to operator or the traffic generated by other local operators on their network. However, the volume of this third party traffic is significantly lower than the volume of their own traffic/calls. This limitation is set for reasons such as the other operators calls' being entertained as per the interconnection rates, while per minute calls coming from abroad pay much higher amount compared to termination/interconnection charges. The counsel highlighted that PTA plays a pivotal role in overseeing these interconnection agreements, ensuring a well-functioning telecom ecosystem. CMPak's counsel also adopted Wateen's argument concerning competition in the LDI market.

123. PTCL in its response dated 20.09.2024, titled *PTCL Comments on Concerns raised by other Stakeholders with CCP (ref. Letters shared vide CCP letter dated 12th September 2024) (PTCL Comments)* submitted that *"LDI inbound voice is a highly competitive business where currently ~ 20 operators are competing to maintain its market share. Decision to route international incoming minutes through any LDI operator in Pakistan resides with foreign operator having high power to negotiate rates. Considering the competitive nature of business every operator is a price taker where no single player enjoys the capacity and capability to disrupt the market or act independently. Moreover, this is a high-risk business with exposure to international default with limited scope of recovery. Considering the postpaid nature of business, operators work with extreme caution to mitigate risk and rewards. Accordingly, current capacities provided to the LDIs are as per their business requirements. However, if any further capacity enhancement is required by any LDI operator then any such requirement will be fulfilled after necessary due diligence as per process prescribed in Reference Interconnect Offer (RIO) as approved by PTA. PTCL intends to fulfil its contractual obligations in line with the rights and obligations under the relevant contracts terms read with applicable policies, licenses, and the prevailing law without any discrimination."*

124. The Commission finds the apprehensions expressed by CMPak valid. It, however, notes that CMPak was not able to show whether it has made any formal complaint to PTA regarding the blocking of E1 by PTCL.

125. The Commission notes that PTCL has been accused of anti-competitive practices on quite a few occasions. Moreover, the Commission does not find merit in PTCL's argument that



any further capacity enhancement required by any LDI operator will be fulfilled by PTCL as per the process prescribed in the RIO approved by PTA because PTCL has challenged the SMP Determination and is not following PTA's approved RIO. This justifies the Commission holistically overseeing the market in order to create a level playing field by imposing conditions.

(d) Unilateral Effects

126. Unilateral effects may arise from PTCL's incentive to raise prices post-merger. PTCL holds a dominant position in the LDI market with the largest infrastructure. PTCL will also have MergeCo to sell its backhaul services to. This creates a serious potential risk that PTCL may set prices, terms of services and cross subsidize its verticals. This scenario also raise concerns that smaller LDI players may find it increasingly difficult to compete against enhanced capabilities of PTCL and MergeCo.

(e) Cross-Subsidization

127. A common concern among stakeholders relates to the risk of PTCL engaging in cross-subsidization between its business segments. In such a scenario, profits from one segment (e.g., fixed-line services) could be used to offer below-cost prices in another segment (e.g., mobile network operations), thereby undercutting competitors. This practice could enable PTCL to eliminate or weaken smaller competitors lacking the financial capacity to sustain a prolonged price war, amounting to predatory pricing and further entrenching PTCL's dominance. While such pricing may yield short-term consumer benefits through lower tariffs, its long-term effects could be anti-competitive, potentially reducing market choice and enabling PTCL to exercise greater market power.

128. TWA raised concerns regarding potential cross-subsidization between PTCL and MergeCo, asserting that such conduct could distort competition in the LDI market. It further recommended that PTCL's operations be structured as separate legal entities and that its regulatory accounts be subject to independent verification to ensure transparency and compliance. The Commission invited TWA's representatives to substantiate these assertions; however, no supporting evidence was provided.

129. Notwithstanding the foregoing, the Commission considered it prudent to maintain a vigilant oversight of the market and, accordingly, directed PTCL to furnish separated



accounts to address the cross-subsidization concerns raised by industry stakeholders. In response, PTCL submitted that, as a publicly listed company, it adheres to high standards of transparency and compliance. It stated that its financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), including the related party transaction requirements under IAS-24, as well as the Listed Companies (Code of Corporate Governance) Regulations, 2019. PTCL further emphasized its commitment to regulatory compliance and transparency, asserting that all stakeholders are afforded equal treatment and that services are provided on uniform commercial terms and conditions.

130. The Commission expressed concerns regarding PTCL's compliance with the Accounting Separation Regulations, 2007, issued by the PTA to prevent cross-subsidization between PTCL and its subsidiaries. PTCL characterized these regulations as outdated and acknowledged that it had not strictly adhered to them. Upon inquiry, PTA clarified that *"[t]he Accounting Separation Regulations, 2007 are in field with effect from 26th June, 2007. However, amendment in the said regulations are underway after conclusion of industry consultation. It is a matter of record that the Authority has not received any industry feedback (including PTCL) with reference to obsolescence of these regulations in any context."*⁴⁹
131. Vide letter dated 08.11.2024, the Commission, required PTCL to clarify as to what is the difference in accounting basis/conventions between PTA's Accounting Separation Regulations, 2007 and the basis on which PTCL/PTML prepare accounts under the Companies Act, 2017.

132. PTCL, vide letter dated 14.11.2024, responded as follows:

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⁴⁹ PTA's Letter to CCP dated 18 December 2024



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134. In response to the Commission's direction vide its letter dated 01.10.2024, PTCL, on 25.02.2025, submitted its "Regulatory Separated Accounts 2021–2022 and 2022–2023 with Auditor's Reports," setting out, *inter alia*, separate accounts for each Business Unit (Access Network, Core Network, and Retail Activities) as well as the disaggregated activities of PTCL. As per the Auditor's statement, these accounts had been prepared in accordance with the Accounting Separation Regulations, 2007; Accounting Separation Guidelines, 2007; and Guidelines on Costing Methodologies for Accounting Separation, 2007 issued by PTA.
135. The Commission identified deficiencies in the Regulatory Separated Accounts, noting in particular the absence of adequate disclosures regarding transfer pricing, including rates and volumes charged between PTCL's main business units for intra-company services and the equivalent transactions with competing undertakings. The Commission further observed that the basis for allocation and apportionment of revenue, operating costs and capital employed among different cost components, services or business units was not expressly disclosed. These observations were shared with PTCL vide letter dated 06.05.2025.
136. In response, PTCL provided another set of information on 15.05.2025. However, the Bench finding the material still inadequate, sought further clarification vide letter dated 30.07.2025 to which PTCL responded on 01.08.2025 providing further breakdown of the information sought.
137. The Bench afforded PTCL an opportunity of confidential hearing on 05.08.2025, during which the Applicant reiterated its position regarding the regulatory accounts and related party transactions. PTCL stated that, although it had challenged the PTA SMP Determination, 2021, which requires each SMP operator to submit Separated Accounts, it had, in compliance with the Commission's directions, engaged an audit firm to prepare such accounts and submitted them accordingly. The Applicant maintained that the Regulatory Accounts provided were in compliance with the Accounting Separation Regulations, 2007 issued by PTA.



138. With respect to related party transactions, PTCL submitted that, as a listed company, it is subject to rigorous oversight by the PSX and the SECP to ensure adherence to best corporate governance practices, including compliance with its Board-approved Related Party Transactions Policy. The Applicant further argued that a comparison of the prices and rates charged between PTCL and PTML (shared with the Commission), as against those applicable to competitors, demonstrates that all related party transactions are conducted in accordance with the arm's-length principle.
139. During the hearing, the Commission inquired whether PTCL could provide copies of the agreements executed between PTCL and various competing undertakings to enable verification of the data, rates and charges submitted, noting that such information originates solely from PTCL, and is not held by PTA, and so cannot otherwise be independently verified. PTCL responded that while it could furnish invoices, it might not be able to provide the actual agreements without obtaining the consent of the relevant third parties. Later, however, some of the agreements with other telecom operators and invoices of transactions with Ufone were provided to the Commission.
140. When questioned regarding the implementation of its RIO issued by PTA, PTCL stated that the RIO had been approved by PTA a considerable time ago. In response to a further query as to whether PTCL seeks PTA's approval each time, PTCL clarified that the RIO is not re-approved for every instance; rather, the previously approved version is applied, and the rates are determined bilaterally between the parties on a commercial basis.
141. The Commission observes that the absence of access to underlying agreements, coupled with the practice of relying on an older approved RIO without subsequent approvals, may limit regulatory oversight and reduce transparency in relation to the actual pricing and commercial arrangements between PTCL and other undertakings.
142. In view of the foregoing, and in light of the concerns regarding cross-subsidization and verification of PTCL's tariff data and related party transactions, the Bench considers it appropriate that PTA, as the sector regulator, be entrusted with the responsibility of overseeing PTCL's regulatory accounts and the tariffs charged by it. This measure will ensure transparency, prevent potential anti-competitive conduct and align with established sectoral oversight mechanisms. PTCL shall be required to obtain PTA's prior approval for such tariffs and to submit all relevant data and supporting documentation to



PTA for verification and record. Appropriate behavioural remedies to ensure PTCL's compliance will be set out in the later part of this Order.

(f) Strengthening of Dominance

143. Jazz has stated that both TP and PTCL are present in the LDI market wherein PTCL has a dominant position. The proposed merger will further strengthen the position of PTCL and of the merged entity in the telecommunication market. Therefore, the Commission must impose appropriate enforceable obligations on PTCL and the MergeCo to ensure that other operators, including Jazz are not prejudiced and are provided with an even playing field in the LDI market. PTCL has disagreed with the above assertion stating that the proposed merger will not create new dominance in the LDI market.

144. The Commission observes that the fact that no "new" dominance is created does not preclude it from scrutinizing the merger. Under Section 11 of the 2010 Act, the Commission can assess a merger which substantially lessens competition by strengthening a dominant position in the relevant market. Moreover, besides the presumption of dominance of an undertaking in case of having 40% market share, its dominance can also be established if it has the ability to act independently of its competitors, customers, consumers and suppliers. Since PTCL is already a leading provider in the LDI segment, the Commission is of the considered view that the merger will further strengthen its dominance.

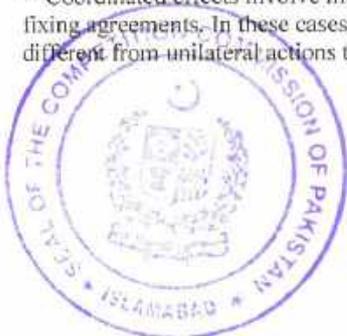
(g) Coordinated Effects⁵⁰

145. Coordinated effects arise when a merger creates conditions that make tacit coordination (or tacit collusion) more likely or more effective. PTCL may have incentive to collude with other operators in both upstream and downstream markets which may result in harm to competition in the market. Collusion in markets with higher concentration usually leads to more profitable outcomes for the dominant players.

(h) Past conduct of LDI Operators

146. The International Clearing House (ICH) Agreement was an Agreement amongst the then 14 LDI operators to terminate all incoming international traffic exclusively on the network

⁵⁰ Coordinated effects involve multiple firms working together to manipulate the market, such as through price-fixing agreements. In these cases, firms collectively decide on pricing strategies or market allocations, which is different from unilateral actions taken by a single firm.



of PTCL and to suspend interconnection capacities of all LDI operators with the exception of PTCL. The LDIs also agreed to terminate incoming international traffic at a fixed rate of 8.8 USD cents/minute and share the revenues amongst themselves as per agreed quota between each of the LDIs. In 2013, the Commission decided that this arrangement was anti-competitive and detrimental to consumer welfare, as it raised prices and limited choices. The LDI operators by entering into the ICH Agreement colluded to fix prices of international incoming telephony, closing down competing networks and dividing revenues among themselves without any competition. This behaviour was held to be a hard core cartelization and most pernicious form of anti-competitive activity possible. Through this cartelization, the LDI operators had not only eliminated competition in the market for international incoming telephony but also made it impossible for new entrants to enter the market and pose any competitive pressure. Against the said order/decision of the Commission, the LDI operators filed Appeals before the Competition Appellate Tribunal (CAT). Recently, CAT after hearing the parties, dismissed the appeals and upheld the order of the Commission vide its order dated 11.08.2025. CAT, while endorsing the Commission's view, held that the ICH agreement restricted competition, improvements and prevented new players from entering into the LDI Market. In the context of the proposed merger, similar risk exists if PTCL's already dominant position is further strengthened in LDI services market.

(i) Barriers to Entry

147. There are significant and complex barriers to entry and expansion in Pakistan's LDI market, creating substantial challenges for prospective LDI operators. Firstly, the considerable capital investment required to establish essential infrastructure, such as fiber optics and switching equipment, serves as a major deterrent for new entrants. The dominance of established players like PTCL also creates an uneven competitive landscape, making it difficult for new entrants to capture market share and expand their operations. Moreover, the commercial nature of interconnection agreements restricts new operators' access to essential facilities, hindering their ability to compete effectively with incumbents. Together, these factors stifle competition and innovation, making it challenging for new entrants and existing players to expand successfully in the market.



(j) Countervailing Buyer Power

148. Powerful buyers can, at times, offset the market power of suppliers by negotiating more favorable terms that would not otherwise be available in a less competitive environment. Large customers may facilitate the entry of a new supplier or replace an existing supplier with their own in-house operation. In some cases, even the credible threat of such actions can exert a disciplining effect on suppliers. Accordingly, the buying power of customers may serve as an effective counterbalance to the market power of a merged entity.
149. In other words, when merging companies have to deal with a dominant purchaser, their own market power may be constrained by that of their customer. More generally, wherever a purchaser who accounts for a significant proportion of a supplier's business can readily switch to another source and can thereby effectively deploy buyer power, the market power created by a merger will be constrained to some degree. Accordingly, the present assessment will take into account the size, bargaining strength and strategic significance of the merging companies' customers.
150. In Pakistan's LDI market, which is dominated by PTCL, the scope for countervailing buyer power is limited. The market's concentrated structure, with PTCL holding a substantial share, restricts the bargaining strength of buyers, primarily MNOs. Smaller LDI operators, lacking substantial infrastructure, are similarly unable to exercise meaningful countervailing power. Moreover, the high capital costs associated with establishing alternative infrastructure create significant barriers to entry, further reducing buyers' ability to switch providers or discipline the market through credible threats of substitution.

5.2.3. Concluding Remarks

151. The Commission acknowledges the concerns raised by Wateen, CMPak, Jazz, and TWA regarding the potential strengthening of PTCL's dominance post-merger and its broader impact on the telecommunication market.
152. The integration of PTCL and TPLDI⁵¹ in the upstream market, combined with its locked customer base of approximately [redacted] in the Retail Mobile Telecommunication Market raises competitive concerns in the LDI market. The merged entity's extensive [redacted]

⁵¹ As per Applicant, PTCL will indirectly control TPLDI.



infrastructure may enable it to engage in anti-competitive conduct, such as cross-subsidization, by offering services below cost. Such practices could distort the competitive landscape, raising barriers for smaller LDI operators, undermining their ability to compete effectively on price and service quality, and ultimately reinforcing PTCL's dominant position in the LDI market.

153. PTCL's vast infrastructure network and control over critical assets such as fiber networks, local loops and interconnection points give it significant leverage over competitors. PTCL's vertical integration with fixed-line and mobile services through Ufone and potential merger with TP further increases its ability to engage in anti-competitive behavior. It is capable of limiting rivals' access to essential infrastructure or provide unfavorable interconnection terms, making it difficult for smaller operators to compete effectively. Moreover, PTCL's historical dominance in both wholesale and retail markets means it has the ability to influence pricing, quality and availability of services, potentially distorting competition.

154. It is noteworthy that in its submission dated 16.09.2024, PTA stated as follows:

"all LDI operators are free to provide services to all MNOs, as this is a deregulated market with no barriers, pricing is determined with mutual consent between two operators. PTA only regulates, if market is considered relevant and a player is identified as SMP in the relevant market. [Moreover,] "an SMP operator is obligated to get its Reference Interconnect Offer (RIO) including terms and conditions of interconnection therein, to be approved by the Authority. In this regard, RIO of PMCL (Jazz) is available on PTA's website".

155. It follows from the above that the deregulation framework in conjunction with the SMP Determination and RIO approval process is designed to ensure that operators with SMP status offer fair, transparent, and non-discriminatory interconnection terms, thereby safeguarding competition in the market. While the market is deregulated in principle, the SMP regime plays an essential role in maintaining a level playing field and in preventing the abuse of dominant position. However, the Commission observed during the hearing that the regulatory safeguards envisaged under this framework have not been effectively enforced. All SMP Determinations issued by PTA have been challenged in the courts by various telecom operators, including PTCL, which has effectively suspended the implementation of SMP obligations. In view of this regulatory vacuum, the potential for



a substantial lessening of competition resulting from the proposed merger cannot be ruled out.

156. Moreover, the Federal Government recently approved the Framework for Infrastructure Sharing (FTIS), however, its implementation remains uncertain, largely due to the ineffectiveness of the obligations stemming out of SMP Determination. Without a robust, oversight mechanism, the FTIS cannot preserve competition in the market and ensure fair access to telecom operators for the required services. One contributing factor is that the FTIS refers to PTA's regulatory framework, parts of which are either under judicial challenge, such as the SMP Determination, or are yet to be issued, such as the draft Tariff Regulations and Accounting Separation Regulations, thereby undermining the intended benefits of the Framework.



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A handwritten signature in black ink, appearing to be "R", with a horizontal line extending to the right.

6. MOBILE TELECOMMUNICATION MARKET

157. The mobile telecommunication market is divided into retail/downstream market and wholesale/upstream market. In retail/downstream market MNOs sell services/products to end-customers, where in wholesale/upstream markets MNOs sell inputs to other MNOs or Mobile Virtual Network Operators (MVNOs). These MNOs and MNVOs then use such inputs to deliver services/products to end-customers.⁵²
158. The Commission has emphasized that this distinction is crucial for assessing the horizontal and vertical effects of a proposed merger, as the mobile telecommunications product market may consists of multiple segments within a single market.

6.1. Retail Mobile Telecommunication Market (RMT Market)

6.1.1. Defining the Relevant Market

159. Services in the RMT Market consist of the sale of pre-paid, post-paid, bundled or unbundled subscriptions to end customers for providing them access to mobile networks. Such access allows end users to make voice calls, send and receive text messages (SMS) and use mobile data.

6.1.1.1. Submissions of Notifying Parties⁵³

160. The Notifying Parties submitted that *"[a]ccording to PTA's Determination on Retail Mobile Telecommunications Market, this market includes provision of wireless-based telecommunication services (other than WLL⁵⁴) on national basis. PTCL, through its subsidiary PTML and TP provide retail mobile telecommunication services, pursuant to licenses granted by PTA."*

161. Moreover, *"PTCL intends to eventually amalgamate PTML and TP post completion of the Transaction, the fourth and third largest CMOs in Pakistan respectively in terms of subscriber market share."*

162. Regarding relevant geographic market, it was submitted that *"the product/services market can be geographically divided into three markets: Pakistan and AJK & GB markets"*

⁵² Para 32 of Wairid Merger Order

⁵³ PART 3B, para 6.1(2) of the Application

⁵⁴ Wireless Local loop



These markets are common for the merging parties and are operated through their respective subsidiaries. Both PTML and TP hold valid licenses approved by the PTA to operate in these specified regions. Accordingly, there is an overlapping geographical market for retail mobile telecommunications.”

163. The Notifying Parties have also relied on the Commission’s observations and findings in the Warid Merger order in relation to the product/service market.

6.1.1.2. Commission’s Assessment

164. Both TP and PTCL’s subsidiary Ufone are primarily engaged in the provision of retail mobile telecommunication services. PTCL itself offers retail fixed telephony and retail fixed internet services to businesses and individual customers. The Commission, however, notes that the retail mobile services market consists of various segments which may still be relevant for the competition assessment. These segments include pre-paid and post-paid services provided to businesses and consumers, voice and data/data-only services and OTT services.

(a) Pre-Paid vs Post-Paid Services

165. In para 34(i) of the Warid Merger order, the Commission observed that pre-paid services, known as “pay-as-you-go” plans provide customers with cost control by allowing them to purchase credit in advance. These plans include mobile phones, SIM cards and initial credit for services. Pre-paid offers are in the form of standalone options for voice, SMS, and internet/data as well as bundled packages combining voice, SMS, and internet/data. Both bundled and unbundled pre-paid plans are offered periodically by all MNOs, to make them more appealing to the majority of end-customers.

166. In para 34(ii) of the Warid Merger order, the Commission observed that post-paid plans, also known as “bill-pay services” attract customers with distinct tariffs, subsidies and advantages over pre-paid plans. Post-paid mobile products function on a credit-based model. The customers are billed on a monthly or a periodic basis after the services have been availed. Price rate per minute is relatively lower for post-paid plans. Post-paid customers typically commit to a contract with an MNO, which includes a defined billing cycle. At the end of each cycle, the customer is billed for the services consumed during that period, which may include voice, data and other telecommunication services. Post-paid



plans generally offer higher usage limits and may cater to more business customers or individuals seeking uninterrupted services with monthly payment made.

167. Ufone and TP are offering both pre-paid and post-paid mobile telecommunication products under their primary brands, namely, 'Ufone' and 'TP,' as do PMCL and CMPak under their primary brands, namely, 'Jazz' and 'Zong'. All MNOs offer a range of pre-paid and post-paid plans. The competitive dynamics in this market segment are distinct in terms of pricing, quality and plans.

(b) Business vs Individual Customers⁵⁵

168. The Commission notes that business customers generally require customized communication solutions, including corporate plans with multiple lines and enhanced internet/data packages, dedicated customer support and security. They may be less sensitive to price factors while giving due weightage to value connectivity, speed and reliability as well. Owing to their business needs, they often enter into long term contracts to avoid recurrent switching decision for services. Business customers are considered as more reliable and a significant part of the predictable revenue generating segment by MNOs.

169. On the other hand, individual customers seek mobile services reciprocating the balance cost, data plans, network coverage and customer support. Unlike business customers, their need revolves around personal usage of voice, data and text services. They might be more price sensitive and may switch on the basis of price, discounts, deals, network coverage and quality. MNOs often compete through price promotion, innovative bundles and network coverage and quality. Subscriber churn is more common in this segment, therefore, substantial investment is required by MNOs to retain individual customers.⁵⁶

(c) Mobile Data Services

170. In the Warid Merger order, the Commission observed that voice and data services can be distinguished from data-only services. This is because some customers may primarily use their mobile phones for voice communication. A growing majority now is engaged in data streaming for uploads/downloads and video calls. As a result, most smartphone users opt

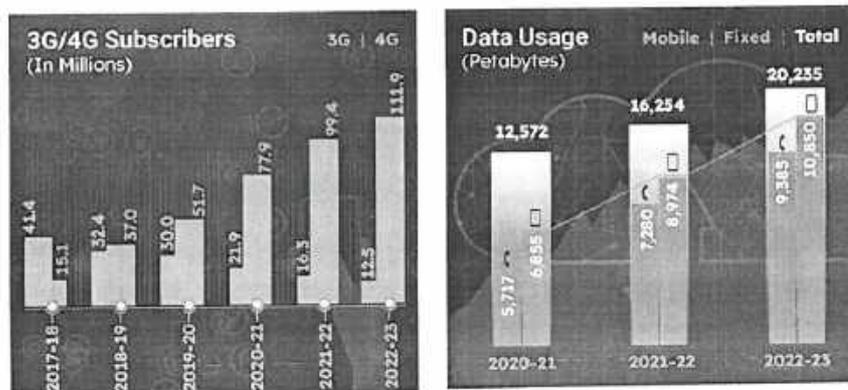
⁵⁵ https://ec.europa.eu/competition/mergers/cases/decisions/m7018_6053_3.pdf

⁵⁶ Ibid



for bundled or unbundled voice and data offerings. In contrast, users of tablets, notepads and laptops primarily seek data-only services to access the internet.

171. Industry trends in Pakistan reflect strong growth in data services, driven by the expanding demographic using mobile data for a variety of purposes, including work, entertainment and social networking. With the advent of 3G, 4G/LTE and the anticipated 5G, mobile broadband usage in Pakistan is experiencing rapid growth. The exponential rise in mobile data consumption underscores the growing importance of data-driven services in the daily lives of consumers. This growth is driven by the rapid adoption of digital platforms, cloud computing, video streaming, e-commerce, online education, remote work and emerging technologies such as AI and IoT. As connectivity becomes integral to daily life and economic growth, the need for high-speed, reliable and data-intensive internet services continues to expand exponentially.
172. To meet growing demand, many MNOs now offer mobile broadband solutions, including data-only SIM cards for tablets and dongles, targeting users who need high-speed internet without voice services. These services support on-the-go connectivity, accelerating Pakistan’s digital transformation. Data consumption trends in Pakistan are shown below:



Source: PTA

173. The tables highlight the increasing shift in consumer behavior towards data-centric usage patterns, reflecting the evolving role of mobile networks in facilitating not only communication but also broader digital engagement across various sectors. The introduction of data-only services by MNOs demonstrates their proactive approach to meet the diverse needs of the modern digital consumer.



(d) OTT Services

174. Over-the-top (OTT) services primarily depend on data/internet only services, whether purchased from MNOs and/or fixed broadband services for their functionality. OTT messaging and voice services are used interchangeably with traditional voice and SMS services over a mobile network. They are often low-cost or free for consumers, benefit from strong network effects, provide additional functionalities and take advantage of the growing availability of data access (including mobile high-speed data and private/public Wi-Fi).

6.1.1.3. Substitution analysis

175. A fundamental aspect of maintaining a competitive and vibrant retail mobile market is ensuring that consumers can easily select from a variety of service providers and can switch between them with minimal effort.

176. Demand-side substitution in the retail mobile telecommunication market refers to options consumers have to select and switch between different services or service providers in response to changes in price, quality, coverage and other factors.

177. The Mobile Number Portability (MNP) regime established by PTA, effectively allows consumers (whether pre-paid or post-paid) to switch between MNOs without changing their phone numbers, making it easier for users to switch providers. This facilitates demand-side substitution for customers who are dissatisfied with their service provider's pricing, network coverage and service quality.

178. With increased mobile broadband subscriptions and smartphone adoption, more customers are now using data services for communication via OTT platforms like WhatsApp, Skype, etc. The customers now view data-driven services as substitutes to traditional telephone and conventional text SMS.

179. Supply-side substitution in the retail mobile telecommunication market is relatively high due to technological flexibility at the MNOs end. MNOs can easily shift or expand their service (2G, 3G, 4G/LTE and possibly the upcoming 5G) and offerings within voice and data segments. For instance, MNOs consider business customers as a distinct group from individual customers, yet services to these two groups do not constitute separate product markets because of supply-side substitutability. The reason being that the services provided



to each customer group are essentially the same and MNOs serving one group of customers can easily switch to serving the other.

180. Consistent with its Warid Merger order, the Commission observes that as with the pre-paid and post-paid segments, while MNOs can easily switch their offerings from voice to data/internet for providing mobile telecommunication services and vice-versa, consumers distinguish greatly between voice and data/internet services. The two segments are clearly distinguishable by virtue of their pricing, characteristics and intended use. However, there is ample supply-side substitution enabling MNOs to compete effectively in different service segments. Nonetheless, it is noted that for smaller players in general and new entrants in particular, the ability to switch and expand services will depend on their access to spectrum, capital for infrastructure deployment and regulatory support.

6.1.1.4. Concluding Remarks

181. The Commission does not find it relevant to further segment the RMT market based on the type of service (voice, call, SMS, MMS, or mobile internet/data services) or the type of the network technology (2G, 3G or 4G). These are segments of the same market and do not constitute separate product markets. This is also in line with the Commission's Warid Merger order where such segmentation was not needed to be assessed separately in light of Section 11 of the 2010 Act. Therefore, for the purposes of the proposed merger, the Commission considers that the relevant product market is the broader retail market for mobile telecommunication services which is national in scope.

6.2. Wholesale Mobile Telecommunication Market (WMT Market)

6.2.1. Defining the Relevant Market

182. Wholesale mobile telecommunication services include call origination and may include other services such as allowing the use of the MNO's core network.⁵⁷ MNOs generally provide wholesale access services to MVNOs. An MVNO is a company that does not own a mobile spectrum license but sells mobile services under its brand name using the network of a licensed MNO. This allows the retail customers of MVNOs to make use of an MNO's radio access network (RAN).

⁵⁷ BT Group plc acquisition of EE Limited, 15.01.2016, Para 2.18



(a) Submissions of Notifying Parties

183. Referring to the Warid Merger order, the Notifying Parties submitted that there is a *“wholesale/upstream market where MNOs sell inputs to other MNOs or Mobile Virtual Network Operators (MVNOs) and associated industry players, which then use such inputs to deliver services/products to end-customers.”*

(b) Contentions of Jazz

184. Jazz contended that MergeCo should provide MVNOs with wholesale non-discriminatory access to active infrastructure, fibre sharing and spectrum sharing/trading. Conditions imposed on Jazz with respect to concentration of spectrum in terms of paras 190 and 191 and with respect to MVNOs in terms of para 192 of the Warid Merger order should also be imposed on MergeCo.

185. The Applicant, in PTCL Comments, stated that as per its understanding currently Jazz is not hosting any MVNO in the presence of CCP guidelines with respect to wholesale access to MVNOs on fair and reasonable commercial terms and conditions, including but not limited to network access, call origination/termination, international roaming for voice, SMS and data services, and access to portability database.

(c) Commission’s Assessment

186. In the WMT market, MVNOs lease network access from MNOs and provide telecommunication services under their own brands. The PTCL – TP acquisition and PTML – TP merger could significantly impact the ability of MVNOs to enter the market and subsequently scale up their operations.

187. The Commission notes that MVNOs are the market forces in the telecom sector that could potentially disrupt the possibility of coordination in the MNOs market.⁵⁸ Introduction of MVNOs in Pakistan will not only change the competitive dynamics of the retail mobile telecommunication market but will also provide mobile phone subscribers with more choices both on pricing and quality, including reduced likelihood of coordinated and non-coordinated effects in the market.⁵⁹

⁵⁸ Para 163 of the Warid Merger order

⁵⁹ Ibid



188. The mobile market is likely to develop by introduction of a new MVNO as opposed to MNO because MVNOs do not require the same level of capital investment in obtaining licenses and telecom infrastructure. However, the success of MVNOs depends on their ability to negotiate favorable wholesale access agreements with MNOs. The proposed merger reduces the number of potential wholesale partners for MVNOs in the future. This could limit the likelihood of new MVNOs entering the market, especially if the MergeCo decides to prioritize its own retail operations over an MVNO partnership. The MergeCo and its competitors, especially Jazz and Zong may choose to set higher wholesale prices or restrict access, making it difficult for MVNOs to enter the market in a meaningful way. This could lead to a situation where an MVNO's entry is limited or ineffective in providing competition.

189. The Commission is of the view that while MVNOs could theoretically enter the market more quickly than MNOs, their ability to provide sufficient competitive pressure on the merged entity is questionable. The sufficiency of an MVNO's entry, in the Commission's opinion, depends on its ability to differentiate itself in terms of pricing, service quality and niche offerings. However, if the merged entity controls a significant share of the wholesale market, it could delay or hinder timely entry of MVNOs.

190. PTCL argued that *"the reason of no entry of MVNO may be the overall economic condition. Further, no barrier exists from PTCL side to partner with any MVNO given reasonable commercial terms and conditions are agreed between the parties for the sustainability of the MVNO operations and consumer protection."*

6.2.2. Concluding Remarks

191. Given the current regulatory and economic conditions, entry of a new MNO is unlikely due to high capital expenditure, whereas an MVNO's entry is comparatively feasible provided there is an effective regulatory framework. In the Warid Merger order, the Commission noted that a reduced number of MNOs, post-merger, could hinder MVNOs entry, and therefore imposed proportionate remedies to ensure MVNOs' access to the market on competitive terms.



192. The Commission is also cognizant of the fact that PTA has invited comments/feedback on the draft framework for MVNO services in January 2024.⁶⁰ It has also hired a consultant for licensing policy framework review and preparing a draft MVNO license. The draft framework highlights the various MVNO models, presents distinct operational structures and levels of flexibility. These models include Reseller model,⁶¹ Service Provider model,⁶² Enhanced Service Provider model⁶³ and Full MVNO model.⁶⁴ By providing various options for market entry, PTA's MVNO framework may stimulate new entrants, encourage investment in tailored services and ultimately benefit consumers through improved service diversity and pricing.

6.3. Assessment of Retail Mobile Telecommunication Market

6.3.1. Analysis of Market Shares and Concentration

193. The Notifying Parties have submitted that *"there are four (4) CMOs providing telecom services in Pakistan namely: PMCL/Jazz, PTML, CMPAK/Zong and TP (for AJK and GB there is an additional CMO namely SCO), which are all regulated by the PTA. PTCL intends to eventually amalgamate PTML and TP post completion of the Transaction the fourth and third largest CMOs in Pakistan respectively in terms of subscriber market share."*

194. The data tables below illustrate the market shares of various MNOs from 2021 to 2023 based on revenue and subscribers. Analyzing this data offers key insights into market trends, competitive positioning and potential challenges in market competition.

⁶⁰ [revised_mvno_framework_2nd_cons_11-06-2024.pdf](#)

⁶¹ Reseller model allows MVNOs to operate under their own brand while entirely relying on the services of a parent MNO, making it cost-effective for new entrants by lowering barriers to market entry. However, this model may limit the MVNO's ability to differentiate itself due to a lack of control over service quality and dependency on MNO infrastructure.

⁶² Service Provider model enables MVNOs to manage customer care and billing while marketing services from the parent MNO, fostering competition through brand differentiation. However, restrictions on installing network equipment can impede innovation and responsiveness to customer needs.

⁶³ Enhanced Service Provider model introduces more flexibility, allowing MVNOs to offer customized services and install some network equipment, which encourages innovation and better meets diverse consumer demands.

⁶⁴ Full MVNO model grants the most autonomy, enabling operators to provide a complete range of services akin to MNOs, including the installation of core network elements. While this model promotes extensive service innovation and customization, the substantial initial investment in infrastructure can be a barrier for smaller operators.



(a) Mobile Market Share by Revenue

MNOs Market Share by Revenue (as of June 2023)

MNOs	2021	2022	2023
Ufone	12.20%	12.00%	13.40%
TP	22.20%	21.10%	19.40%
MergeCo	34.40%	33.10%	32.80%
Jazz	42.20%	43.40%	43.10%
Zong	23.50%	23.40%	24.10%

Source: PTA

195. TP's share declined from 22.20% in 2021 to 19.40% in 2023, while Ufone's share grew from 12.20% in 2021 to 13.40% in 2023. Jazz maintained a dominant position, holding 42.20% in 2021, 43.40% in 2022, with a slight decrease to 43.10% in 2023. Zong's market share increased from 23.50% in 2021 to 24.10% in 2023.

(b) MNOs Market Share by Subscribers

MNOs Market Share by Subscribers (As of December 2023)

MONs	2021	2022	2023
Ufone	12.10%	12.30%	13.40%
TP	26.50%	25.30%	23.80%
MergeCo	38.60%	37.60%	37.20%
Jazz	38.80%	38.60%	37.60%
Zong	22.60%	23.80%	25.10%

Source: PTA

196. Data shows that Ufone's subscribers share increased from 12.10% in 2021 to 13.40% in 2023, while TP experienced a decline from 26.50% to 23.80% during the same period. MergeCo is projected to hold 37.20% of the market as of 2023. Jazz remains the largest player, with its share slightly fluctuating from 38.8% in 2021 to 37.60% in 2023. Zong's share increased from 22.60% in 2021 to 25.10% in 2023.

(c) Revenue Based HHI & Delta Values

HHI <i>Pre-merger</i>	$(TP^2 + Ufone^2 + Jazz^2 + Zong^2)$
	$(19.40^2 + 13.40^2 + 43.10^2 + 24.10^2)$



	$376.36+179.56+1857.61+580.81=2994.34$
HHI <i>Post-merger</i>	(MergCo² + Jazz² + Zong²)
	$(32.80^2 + 43.10^2 + 24.10^2)$
	$1075.84+1857.61+580.81=3514.26$
Delta	$3514.26-2994.34 =519.92$

197. The revenue-based HHI analysis shows an increase in market concentration due to the merger. Pre-merger, HHI for the combined shares of TP, Ufone, Jazz, and Zong stands at 2994.34. Post-merger, HHI increases to 3514.26, a rise of 519.92 points. The Delta HHI of 519.92 indicates a significant increase in market concentration due to the merger. The Transaction leads to MergeCo gaining a substantial market share, post-merger.

(d) Subscriber Based HHI & Delta Values

HHI <i>Pre-merger</i>	(TP² + Ufone² + Jazz² + Zong²)
	$(23.80^2 + 13.40^2 + 37.60^2 + 25.10^2)$
	$566.44+179.56+1413.76+630.01=2789.77$
HHI <i>Post-merger</i>	(MergCo² + Jazz² + Zong²)
	$(37.20^2 + 37.60^2 + 25.10^2)$
	$1383.84+1413.76+630.01=3427.61$
Delta	$3427.25-2789.77=637.84$

198. The subscriber-based HHI analysis shows an increase in concentration post-merger. Before the merger, HHI is 2789.77, indicating a competitive market with four players (TP, Ufone, Jazz, and Zong). Post-merger HHI increases to 3427.61, a rise of 637.84 points. The merger indeed results in a more concentrated market for both revenue and subscribers, warranting closer regulatory scrutiny. The Delta HHI of 637.84 highlights a notable increase in concentration, post-merger. With fewer significant players controlling the subscriber base, the merger raises concerns about reduced consumer choices and potential antitrust issues.



6.3.2. Competition Assessment

(a) Creation of Dominance

199. In Clause 3 of the Merger Guidelines, it is noted that the “*Commission must take into account any significant impediment to effective competition likely to be caused by a merger. The creation or the strengthening of a dominant position is a primary form of such competitive harm.*” *[Emphasis added]*

200. Jazz contended that the consummation of the proposed Transaction will create a dominant position of MergeCo in the RMT Market in Pakistan. It relied on the definition of Dominance in the 2010 Act, the Warid Merger order and Directive 2018/1972 of the European Parliament and of the Council dated 11 December 2018⁶⁵ establishing the European Electronic Communication Code (EECC) which stipulates that in relation to electronic communication networks and services “*an undertaking shall be deemed to have significant market power if, either individually or jointly with others it enjoys a position equivalent to dominance, namely a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers*”. Jazz also relied on Article 63(3) of EECC which provides that “*where an undertaking has significant market power [dominant position] on a specific market, it may be designated as having significant market power [dominant position] on a closely related market, where the links between the two markets allow the market power held on the specific market to be leveraged into the closely related market, thereby strengthening the market power of the undertaking.*” Jazz further argued that where a player is dominant (SMP) in one market, it may also be considered dominant in the market taken as a whole with any markets downstream of the infrastructure market. Reliance was placed on EC’s Notice on the operation of competition rules to access agreements in the telecommunication sector (98/C 265/02) where it made reference to the *Tetra Pak Case (ECJ 1996)*. Zong also argued that the merger will enable PTCL to achieve a dominant market position with an approximate 38% market share, alongside Jazz, which holds around 36%.

201. The Applicant in PTCL Comments and in its submissions on efficiencies dated 29.10.2024 and 14.11.2024 (**Submissions on Efficiencies**) rebutted the above said

⁶⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L1972>



argument. It submitted that the merger does not create dominance in the market in terms of subscribers rather it will increase competition which will prevent the strengthening of a dominant position. *“Jazz is No.1 at ~37.27%; with Zong No.2 at ~24.9%; MergeCo would be at ~ 36.92% (as per application). The gap between No.1 player Jazz and No.2 player (Zong) is ~12.37%. The Merger would narrow this gap between top two players to ~ 0.35%, creating a more competitive market.”* Moreover, the numbers for MergeCo (sum of existing Ufone & Telenor subscribers) will be even less as these numbers do not account for the decline in the number of subscribers that will occur post-merger because of dual SIM phenomena. PTCL also submitted that the merger does not create dominance in the market in terms of revenue. Current shares of TP & PTML are ~19.53% and ~12.37% respectively whereas market leader Jazz stands at ~46% (as per the Application). Referring to Pages 20-21 of the Application, PTCL stated that *“[i]t is crucial to recognize that, while MergeCo and Jazz are nearing parity in terms of subscribers, the significant revenue disparity, exceeding 15 % (as elaborated below), emphasizes significant aspects. This gap indicates that MergeCo cannot align its revenues with the market leader, Jazz, solely by raising prices, as this approach risks losing subscribers.”*

202. The Commission notes that the *“dominant position”* of one undertaking or several undertakings in a relevant market shall be deemed to exist if such undertaking or undertakings have the ability to behave to an appreciable extent independent of competitors, customers, consumers and suppliers and the position of an undertaking shall be presumed to be dominant if its share of the relevant market exceeds forty percent.” To assess MergeCo’s incentives and ability to behave independently of its competitors, customers, consumers and suppliers, the Commission finds it necessary to consider various indicators of market power in the RMT market. These include MergeCo’s pre and post-merger market shares, the size and strength of its infrastructure, economies of scale and scope, barriers to further expansion such as access to financial resources, services/product portfolios, among others. Such factors are mutually inclusive.⁶⁶

203. In the Warid Merger order, the Commission considered a merged entity having a 39% combined subscriber base to be in a dominant position, requiring the imposition of conditions. Additional factors were also considered by the Commission in reaching this

⁶⁶ Para 91 of the Warid Merger order



conclusion. The Commission is of the view that with a subscriber based share of 37.20%, MergeCo will have similar dominance combined with PTCL's extensive infrastructure and other factors as discussed in this Order.

(b) Reduction in the Number of Market Players/Elimination of Effective Competitor

204. Zong argued that the merger may negatively impact competition by effectively reducing, restricting, and preventing it. Once the merger is concluded, only three major players will remain in the telecommunications industry: Jazz, the merged Ufone and Telenor and Zong. This consolidation could affect competition, as these three players will control the entire customer base in Pakistan. There is a potential risk of cartel activity, where the three or two of these major players might collaborate to achieve unlawful financial gains by implementing policies or offering services that could limit or restrict competition. During the hearing, counsel for Jazz also raised similar concerns that *"[t]he market is oligopolistic with four operators and will be reduced to three and elimination of direct competition between Ufone and TP. Market power of MergeCo will increase even without resorting to any collusive or coordinated behaviour. The market structure change itself leads to substantial lessening of competition."* It contended that *"[w]ith the market shares of Ufone and TP at 13.6% and 24.4% in the Pakistan market the merger will eliminate the competition between two close competitors and increase the market power of MergeCo substantially."*

205. In response to the above, the Applicant stated that *"[t]he reduction in number of mobile operators is in line with global trends observed in mature economies...[T]rend of in-market consolidation from 3-2 and 4-3 is in fact also now accepted in jurisdictions like Austria, Ireland, Germany and Australia, where having 3 players is considered as a sufficient number of operators in the telecom sector, as it fosters healthy competition while at the same time ensuring market stability and efficiency. In highly competitive and innovative sectors like telecom, reduction in players from 4 to 3 does not automatically reduce competition if competitive pressures continue to exist... Studies on past mergers in this industry indicate that 4-3 mergers have no significant effects on prices. In fact, evidence also suggest that past mergers have in many cases led to quality improvements. Accordingly, there is no sound basis for a presumption that 4-3 mergers are likely to harm consumers... In particular since past prices are an important determinant of current prices (GSMA report (page 43)), it is noteworthy that, even though inflation*



stands at 25-30%, around 80% of the portfolio for all competitors has been priced up by only ~20%. So effectively, the price increase for consumers in the telecom industry (if any) would just be to counter the inflationary pressure of the economy. MergeCo will not be able to unilaterally increase prices considering the other strong players in the market and the facility of SIM switching as well as MNP available to the customer at their discretion. Accordingly, the proposed transaction will facilitate provision of better quality and innovative service at competitive prices.⁶⁷

206. The Commission notes that the merger involves two competitors operating at the same level in the RMT market. A horizontal merger of this nature can substantially lessen competition by removing key competitive constraints on one or more firms, leading to a direct loss of competition between the merging parties. To determine whether the merger will result in SLC, the Commission primarily assesses the competitive pressure each merging party exerted on the other before the merger. Additionally, SLC concerns are evaluated based on the extent to which the products of the merging parties are close substitutes. A higher degree of demand-side substitution between PTML's and TP's products increases the likelihood of potential SLC concerns, as it signals a stronger competitive constraint between them. Decrease in the number of MNOs from four to three could significantly impact both competition and consumers. The remaining MNOs, including the MergeCo, may face less pressure to maintain competitive pricing or offer innovative services. This weakened competition can incentivize market players to raise prices. By removing TP as an independent competitor, MergeCo could wield greater control over pricing and service options. As a result, consumers may face higher costs for mobile and data services, fewer choices and slower improvements in service quality.

(c) Horizontal and Vertical Effects

207. The proposed merger of PTML and TP will increase concentration in the RMT market. The consolidation raises the risk of anti-competitive coordination among the two remaining players; Jazz and Zong, who might find it easier to align pricing and market strategies.

⁶⁷ Page 1 of PTCL Comments



208. Similarly, PTCL has significant control over key upstream infrastructure, such as wholesale domestic and international leased lines and IP Bandwidth, which are essential for provision of services by MNO's such as Jazz. Owing to its dominance in these markets, PTCL has the ability to restrict access or downgrade services or engage in other anti-competitive practices. It also has the ability to restrict essential inputs for downstream operators like Zong and Jazz, limiting their ability to compete effectively with MergeCo in the RMT Market. PTCL's control over upstream infrastructure could enable MergeCo to engage in cross-subsidization, using profits from its dominant position in the upstream market to undercut competitors in the downstream retail market. PTCL also has the ability and may have incentive to engage in other anti-competitive practices, such as preferential treatment of its own retail operations or discriminatory pricing, further harming competitors. All such practices may result in the lessening of competition. These concerns highlight the need for strong regulatory oversight to ensure fair and non-discriminatory access to essential infrastructure and to maintain a competitive market at both levels.

(d) Unilateral Effects and Coordinated Effects

209. In analyzing the unilateral effects, several key aspects emerge regarding MergeCo's potential ability to operate independently of both customers and suppliers. Post-merger, the MergeCo's significant market share may enable it to exert greater pricing power and commence a price war in the market. MergeCo will have the ability to operate with less regard for their pricing strategies or service quality, resulting in a less competitive market environment overall. As mentioned above, PTCL along with MergeCo holds substantial influence over both the supply side (through its control over infrastructure) and the demand side (through the MergeCo's subscriber base). This may result in consumers facing higher prices, reduced service quality or limited choices. Nonetheless, it is essential to acknowledge that the RMT market is relatively competitive. As of 2023, companies like Jazz, Zong and Ufone continue to compete aggressively. Jazz, for instance, has maintained a significant market share, with ongoing promotional offers and innovations to attract customers. Such competitive pressure can mitigate the merged entity's ability to act monopolistically.

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210. The Commission is of the opinion that in oligopolistic markets with few players, there is an increased risk of coordinated practices. The undertakings may implicitly or explicitly align their pricing and market strategies to reduce competitive intensity. Post-merger, with only three MNOs in the market, tacit collusion can become more likely, allowing each operator to increase prices or reduce promotional efforts to maintain profitability, even without formal agreements.

(e) Barriers to Entry

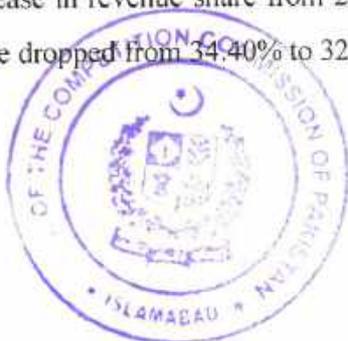
211. In addition to the above, the mobile telecommunication market is characterized by high barriers to entry due to regulatory requirements (such as licensing from PTA), high capital expenditure (CAPEX) and Operational Costs (OPEX) required to build and maintain mobile networks, including base stations and spectrum acquisition, and economies of scale that favor large and established players like Jazz and Zong, making it difficult for smaller players to compete.

212. These entry barriers limit the possibility of new competitors entering the market. This aspect underscores the importance of maintaining competition between existing players.

(f) Pre-Merger Scenario

213. In terms of subscribers, Ufone's share grew from 12.10% in 2021 to 13.40% in 2023. During the same period TP's share declined from 26.50% to 23.80%, indicating growing challenges in maintaining its market position. Jazz held the largest share of mobile subscribers with 38.80% in 2021, which slightly declined to 37.60% in 2023. Zong showed positive growth though, increasing its share from 22.60% to 25.10% in customer acquisition. MergeCo shows a slight decline from 38.60% to 37.20% over the same period.

214. In terms of revenue, Ufone's share grew from 12.20% to 13.40%, showing some positive momentum. Meanwhile, TP's revenue share dropped from 22.20% to 19.40%, indicating challenges in maintaining its market position. Jazz dominated with 42.20% in 2021, peaking at 43.40% in 2022, before declining slightly to 43.10% in 2023. Zong showed increase in revenue share from 23.50% in 2021 to 24.10% in 2023. MergeCo's revenue share dropped from 34.40% to 32.80%.



(g) Post-Merger Scenario

215. The proposed merger will lead to consolidation, concentrating control among a few key players in Pakistan's RMT Market. MergeCo will hold around 37.20% of subscriber based market share, potentially challenging Jazz's lead.
216. As noted above, HHI analysis of the RMT market shows increased market concentration post-merger. Both revenue and subscriber-based HHI are rising which highlight MergeCo's increased dominance. This could result in reduced competition and fewer choices for consumers as the market becomes more concentrated with fewer players.
217. Given the rapidly evolving RMT market, the Commission notes that relying solely on the market share data of existing subscribers may provide an incomplete picture of the emerging competitive landscape in the sector. Current figures may not fully capture potential future shifts. To better assess the merger's impact, it is crucial to consider how MergeCo might attract new or contestable customers. Nonetheless, with the unique presence of PTCL in terms of its expanded resources and infrastructure, MergeCo may have a stronger position in the market, possibly reducing competitive opportunities for other players and reshaping the dynamics of customer acquisition in the coming years.

(h) Spectrum Holding

(i) Analysis of Market Shares and Concentration

218. The Notifying Parties submitted that *"Spectrum Allocation involves the distribution of radio frequencies for communication purposes. In the mobile telecommunication market, spectrum is an important resource, serving as an input for operational efficiency. Spectrum Allocation is intrinsically linked to the mobile telecommunications market. As the property of the Government of Pakistan, spectrum allocation falls under the purview of the PTA, which assigns specific frequency bands to CMOs through spectrum auctions and licenses for designated periods."*
219. *"Each frequency band carries distinct properties in terms of spectral efficiency and propagation characteristics. Certain frequencies are more attractive due to these unique*



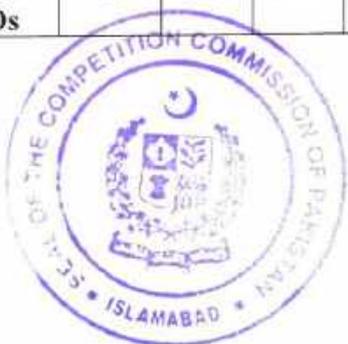
properties, influencing their value. For example, low bands enjoy better radio frequency characteristics resulting in superior coverage as well as better indoor experience. Mid and high bands progressively have more spectrum and usually enjoy a superior performance (capacity) and ecosystem for newer Mobile Broadband technologies such as 4G and 5G. That is why, an optimal spectrum portfolio constitutes a mix of low and mid band spectrum, and possibly high band spectrum for 5G and beyond.”

220. “Currently, the total spectrum available is 190 MHz. The proposed merger would account for 56.2 MHz, or roughly 30% of the available spectrum. This would position MergeCo as the largest spectrum holder with holding comparable to other CMOs; Jazz holding 25% and Zong holding 24% with the remainder not assigned to CMOs. MergeCo's higher spectrum share post-merger is well below the 40% threshold where presumption of dominance occurs. Notwithstanding presumption of dominance, even otherwise, due to close proximity in spectrum holding with other players, question of dominance would not arise. Moreover, the total spectrum holding will not negatively affect competition between the CMOs as the spectrum holding between them are not significant.”

221. “Additionally, the sector-specific regulator, PTA, recommends avoiding fixed spectrum caps. Instead, it proposes using a percentage share of overall mobile spectrum, recommended as 35% or 40%, as a guideline to determine if further evaluation is necessary. Since MergeCo falls below this threshold, any further evaluation would not be warranted.”

222. The table below shows the total available spectrum across four frequency bands (850 MHz, 900 MHz, 1800 MHz and 2100 MHz) and their respective allocation to various MNOs. The total available spectrum in each band is 100% (190 MHz), with percentages indicating how much of that total is assigned (148 MHz) to MNOs through a competitive bidding process administered by PTA.

Spectrum	850 MHz	% MS	900 MHz	% MS	1800 MHz	% MS	2100 MHz	% MS	Total MHz	% MS
Total	20	100	35	100	75	100	60	100	190	100
Assigned to CMOs	10	100	32.4	92.57	71.2	94.93	35	58.33	148.6	100



(Handwritten signature)

TP	10	50	4.8	13.71	8.8	12.36	5	12.5	28.6	19.24
PTML	0	0	7.6	21.71	15	21.07	5	12.5	27.6	18.57
Jazz	0	0	12.4	35.43	24.8	34.83	10	25	47.2	31.76
ZONG	0	0	7.6	21.71	22.6 ⁶⁸	31.74	15 ⁶⁹	37.5	45.2	30.41
MergeCo	10	50	12.4	35.42	23.8	33.43	10	25	56.2	37.81

Source: PTCL Pre-Merger Application⁷⁰

223. TP holds 50% of the 850 MHz band, 13.71% of the 900 MHz band, 12.36% of the 1800 MHz band, and 12.5% of the 2100 MHz band, resulting in a market share of 19.24% out of the total assigned spectrum to CMOs. PTML holds 21.71% of the 900 MHz band, 21.07% of the 1800 MHz band, and 12.5% of the 2100 MHz band, without any allocation in the 850 MHz band, contributing to a total share of 18.57%. Post-merger, MergeCo will emerge as a dominant player, with 50% of the 850 MHz band, 35.42% of the 900 MHz band, 33.43% of the 1800 MHz band and 25% of the 2100 MHz band, leading to the largest share at (56.2 MHz) 37.81% of the assigned spectrum.

224. Jazz holds 35.43% of the 900 MHz band, 34.83% of the 1800 MHz band and 25% of the 2100 MHz band, with an overall share of 31.76% of the assigned spectrum. Zong holds 21.71% of the 900 MHz band, 31.74% of the 1800 MHz band and dominates the 2100 MHz band with 37.5%, resulting in an overall share of 30.41% of the assigned spectrum. Its leading position in the 2100 MHz band distinguishes it as a key competitor in higher frequency bands.

Spectrum Based HHI and Delta Values

SPECTRUM BASED HHI & DELTA VALUES		
HHI <i>Pre-merger</i>	$(TP^2 + PTML^2 + Jazz^2 + Zong^2)$	2648.49
	$(19.24^2 + 18.57^2 + 31.76^2 + 30.41^2)$	
	370.17+344.84+1008.69+924.76	

⁶⁸ Zong's 1800 Band assignment includes 6.6 MHz compensatory spectrum.

⁶⁹ Zong's 2100 Band includes 5 MHz compensatory spectrum.

⁷⁰ Source: Frequency Allocation Board Website Mobile Spectrum Allocations:

Pakistan: <https://fab.gov.pk/spectrum-planning-management-2/#1649927805781-b126c72d-f9bf-AJK & GB>:
[https://fab.gov.pk/spectrum-planning-management-2/#1649927805960-b79983f0-4512-WLL Spectrum Allocations](https://fab.gov.pk/spectrum-planning-management-2/#1649927805960-b79983f0-4512-WLL-Spectrum-Allocations):

Pakistan: <https://fab.gov.pk/spectrum-planning-management-2/#1649927805849-0319be5c-9bdf-AJK & GB>:
<https://fab.gov.pk/spectrum-planning-management-2/#1649929598093-6fa4c0bc-cc31>

Note: PTCL WLL spectrum in Pakistan is subject to Sunset within 2024 as per PTA directions so PTCL Chargi services would be withdrawn in Pakistan before or after the completion of the transaction and hence may not be subject to review.



HHI <i>Post-merger</i>	(MergCo² + Jazz² + Zong²)	3363.06
	(37.81 ² + 31.76 ² + 30.41 ²)	
	1429.59+1008.69+924.76	
Delta	3363.06-2648.49	714.57

225. Pre-merger, the HHI for the market stands at 2648.49, reflecting a moderately concentrated market. Each operator's market share contributes to the overall HHI, with TP and PTML having smaller individual shares, while Jazz and Zong contribute larger shares.

226. Post-merger HHI increases to 3363.06, indicating a higher level of market concentration. This rise is due to the merger of TP and PTML, forming MergeCo with a larger combined share of 37.81%, which significantly impacts the HHI.

227. The change in HHI (Delta) is 714.57, showing a notable increase in market concentration due to the merger. Such a significant rise suggests reduced competition and potential anti-competitive effects in the market, warranting closer scrutiny from competition perspective.

228. Post-merger, spectrum concentration becomes a key factor in assessing market competition and dominance. A larger, contiguous and interference-free spectrum boosts market power and operational efficiency, provided it is utilized effectively. The Commission will, therefore, closely scrutinize the proposed merger to assess whether any remedies or interventions are needed to preserve market competition.

229. Against this backdrop, PTA and FAB, as sector and technical regulators, are crucial in overseeing spectrum allocation to ensure efficiency and protect consumer interests. Future spectrum auctions, particularly for 5G, will be key in fostering competition and innovation, meeting the growing demand for mobile services, and supporting technological advancements.

(ii) Competition Assessment

230. Jazz argued that post completion of the Transaction, MergeCo will be the largest spectrum holder and will account for approx. ±38% of the spectrum allocated to MNOs. This will position MergeCo as the largest spectrum holder with Jazz holding ±32% and Zong holding ±30%. MergeCo's holdings will represent 100% of the allocated spectrum



in the 850 MHz band, ±38% in the 900 MHz band, ±33% in the 1800 MHz band and ±29% in the 2100 MHz band. MergeCo will have exclusive share in the 850 MHz band, and the largest share (with Jazz) in two other bands.

231. In its written submissions and during the public hearing, Zong vehemently opposed the merger. While raising concerns about its spectrum assignment, it argued that any further consolidation in spectrum allocation to MergeCo through the proposed merger will harm its market position. Zong alleged that it has been allocated spectrum which from its very start had interference in parts of Punjab and Sindh. Although, Zong has been given compensatory spectrum in lieu thereof, any further spectrum advantage to MergeCo could negatively impact Zong's competitiveness.

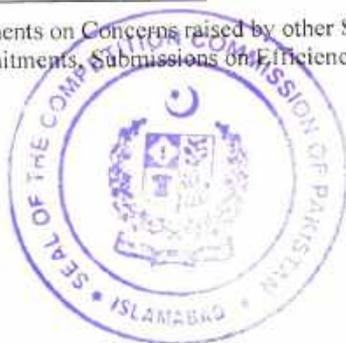
232. In response to the above, PTCL submitted that there is no concern with regards to spectrum allocation because (i) MergeCo's spectrum share will remain below the dominance threshold set by CCP (<40%); (ii) the share aligns with PTA's recommended threshold of 35-40%; and (iii) MergeCo will not be a market leader in any spectrum segment, except the 850 MHz, where TP is the sole operator. MergeCo will hold 56.2 MHz out of the total 190 MHz available for cellular mobile services in Pakistan which comes to 30% only. In AJK/GB, the MergeCo's share will be 23% only⁷¹. Both these shares do not present any unfair advantage/dominance over competition. PTCL submitted that more spectrum is planned for auction in 2025. Existing and new operators will have the opportunity to acquire new/more spectrum in line with their business requirements. It is pertinent to mention that FAB has identified more spectrum for NGMS which is available for any existing and/or new operator as per their business requirement.⁷²

233. The Commission also sought input from PTA and FAB on spectrum sharing and the interference issues raised by Zong.

234. In its written response dated 15.11.2024, FAB stated that *"upon merger or acquisition, associated spectrum, rights and obligations under the license will be transferable to the merged or acquiring entity. Therefore, this matter is beyond the purview of spectrum management involving radio frequency spectrum allocation or assignment under Section 43 of the Telecom Act 1996. However, PTA will intimate FAB in case of approval of the*

⁷¹ PTCL Comments on Concerns raised by other Stakeholders with CCP

⁷² PTCL Commitments, Submissions on Efficiencies and Rebuttal



said merger by PTA as per above stated Policy of the Federal Government." FAB also apprised that "a Committee has been constituted at PTA in order to evaluate and process the subject merger request having representation from FAB. All other matters involving rationalization on non-auctioned administratively assigned spectrum (microwave backhaul spectrum), links, BTS Towers etc., will be evaluated and addressed at Committee level on behalf of FAB before the final decision is taken by PTA."

235. In relation to interference issues, PTA clarified that in March 2016, Zong was given a temporary assignment of 1755.7 – 1762.3/1850.7 – 1857.3 MHz (6.6 + 6.6 MHz) in the 1800 MHz band to mitigate interference from Indian CDMA signals in the 900 MHz band in specific areas of Punjab and Sindh. This assignment was intended only for those regions and was set to expire upon resolution of the interference or CMPak's license expiration in October 2019. Since CMPak's initial license has now expired, PTA was directed by the Islamabad High Court on 27 January 2020 to determine the issue. PTA has since issued a Determination to vacate the spectrum according to applicable laws, aiming for a competitive and transparent spectrum usage. However, Zong challenged this Determination initially before the Islamabad High Court, which decided the matter on August 2024. The order was then challenged in the Supreme Court which directed to maintain the status quo.

236. In line with its observation in the Warid Merger Order, the Commission maintains that, spectrum is a scarce resource and a key input for operation in the RTM market. Post-merger, concentration in spectrum forms one of the most important factor for any competition assessment and determination of dominance in the relevant market.⁷³ Furthermore, the Commission observed that "...the spectrum share of an MNO serves as a key indicator of the market power of an MNO in the mobile telecommunication market. Subject to allocation of specific frequencies and their spectral efficiencies, the larger and contiguous and interference free the spectrum allocated to an MNO, the few sites are required to increase and maintain network capacity, thus reducing infrastructure cost, among other things".⁷⁴ Apart from the overall size of the spectrum allocated to a party, each frequency band carries unique properties in terms of its spectral efficiency and propagation properties on wireless mediums, making certain frequencies more attractive

⁷³Para 98 of Warid Merger order

⁷⁴ Para 99 of Warid Merger order



than others. The value of a particular frequency band is also reflected in its price. The Commission also notes that the efficacy of frequencies allocated in each band is also affected by whether or not the bandwidths allocated are contiguous and free of interference.⁷⁵

237. Based on the above statistics, MergeCo will hold an exclusive 100% share in the 850 MHz band assigned to CMOs. In the 900 MHz, 1800 MHz and 2100 MHz bands, its shareholding will be approximately the same as Jazz.
238. Coupled with flexibility of spectrum management and its vast infrastructure, MergeCo is likely to be able to use its allocation to maximum beneficial effect, including reframing of certain bandwidths to accommodate more profitable segments of the relevant market (such as Mobile Broadband). Pertinent to note is the fact that there are currently no barriers to further expansion by means of spectrum capping or divestment by the sector regulator and the Government of Pakistan, notwithstanding the fact that each license has its own economic value and foreclosure value.

(i) Countervailing Buyer Power

239. The notion of countervailing buyer power describes the case where the increased bargaining power of the merged entity is believed to be constrained by a powerful purchaser. If it can be shown that the purchasers can sufficiently constrain the merging parties, there may be grounds to consider that the effect of the concentration is not harmful.⁷⁶ In principle, the analysis of a buyer's countervailing power is fundamentally the same in single and collective dominance cases in many respects. The powerful buyers may forestall the ability of dominant undertakings to raise prices, and hence mitigate the adverse effects of a concentration.⁷⁷ In the market for retail mobile telecommunication services to end-customers, countervailing buyer power is to be understood as the bargaining strength of the buyer vis-a-vis the availability of substitutes and/or their incentives and willingness to switch to the alternative suppliers.⁷⁸

⁷⁵ Paras 99-101 of Warid Merger order

⁷⁶ https://www.coleurope.eu/sites/default/files/uploads/page/gclc_report_draft_-_the_buyer_power_merger_cases.pdf

⁷⁷ Para 144 of Warid Merger order

⁷⁸ Para 144 of Warid Merger order



240. In the Warid Merger order, the Commission, while relying on *Case No. COMP/M.6497 Hutchison 3G Austria/Orange, dated 12.12.2012*, noted that “there is no appreciable countervailing buyer power to exercise competitive pressure on the MNOs to off-set the expected adverse effects of the concentration in the RMT market. This is because the individual customers of MNOs are fragmented and in the absence of consumer protection organizations, the conditions and levels of prices cannot be affected from the buyer's side. A few customers who might be able to collaborate to resist price increases by the MNOs to some degree would not shelter the remaining buyers from dominant players to exercise their market power”.⁷⁹ In the present case, the Commission similarly finds that post-merger market dominance will reduce switching options, thereby weakening consumers’ ability to exert any meaningful influence over pricing and service quality.

241. Notwithstanding the foregoing, and as observed in the Warid Merger order, the Commission remains mindful of the role and effectiveness of the MNP Regime⁸⁰ introduced by PTA in 2007, which enables customers to easily switch from one MNO to the other without losing their existing mobile number or prefix.⁸¹ This mechanism enables end-users to exercise greater choice by selecting the most advantageous service provider, thereby compelling MNOs to compete not only on pricing but also on service quality to retain customers and reduce churn. Such competitive pressure may, to some extent, constraint MergeCo’s ability to unreasonably increase prices and incentivize it to remain competitive, innovating and offering value to preserve market share. A three-year record of customer switching and portability data between PTCL/Ufone and other market participants, pursuant to the MNP regime, is set out below:

Customer Switching and Portability Data

Port-in				
Years	Jazz	Telenor	Zong	Total
2021 (Aug)	147,863	28,235	46,868	222,966
2022	159,251	88,035	169,328	416,614
2023	142,411	103,125	153,444	398,980
2024 (J)	63,738	47,560	79,589	190,887
Port-out				
Year	Jazz	Telenor	Zong	Total
2021 (Aug)	257,452	43,597	188,910	489,959

⁷⁹ Para 145 of Warid Merger order

⁸⁰ https://www.pta.gov.pk/assets/media/mnp_porting_process_guidelines_13022020.pdf

⁸¹ Para 146 of Warid Merger order



2022	238,546	59,264	427,381	725,191
2023	102,025	29,494	147,764	279,283
2024 (Jun)	62,326	14,506	106,041	182,873

Source: Pakistan MNP (PMD) Reports

242. The port-in data for Jazz, TP, and Zong from 2021 to mid-2024 reflects varying trends in consumer migration. Jazz consistently had the highest number of port-ins, peaking at 159,251 in 2022 before declining slightly in 2023 and further in mid-2024, indicating a gradual slowdown in customer inflow. TP demonstrated steady growth from 28,235 port-ins in 2021 to 103,125 in 2023, followed by a slowdown in 2024. Zong experienced a notable surge in 2022 to 169,328 port-ins, but similarly witnessed a tapering in subsequent years. Aggregate port-ins across all three operators peaked in 2022 and have since declined, suggesting a general cooling of customer migration activity within the market.

243. The port-out data of the three operators i.e. Jazz, TP, and Zong witnessed substantial declines after peaking in 2022. In 2021, Jazz recorded the highest port-outs at 257,452, followed by a marginal decline to 238,546 in 2022 and a substantial drop to 102,025 in 2023, before reaching 62,326 by mid-2024. TP's port-outs decreased consistently from 43,597 in 2021 to 14,506 in mid-2024, reflecting improved customer retention. Zong, however, exhibited a sharp rise in port-outs in 2022 to 427,381, followed by a marked decline to 147,764 in 2023 and further to 106,041 in mid-2024. Total market port-outs peaked significantly in 2022 at 725,191, before declining in subsequent years, indicating an overall reduction in churn across the sector.

244. Notwithstanding the benefits offered by the MNP regime, the Commission underscores that sustained and effective regulatory oversight remains essential to safeguarding consumer choice and preserving the integrity of switching rights. Without such oversight, there is a risk that operators may adopt practices, whether contractual, technical, or commercial that could impede portability, restrict competitive pressure and ultimately erode the pro-competitive effects intended by the regime.

(j) Regulation of Tariff and Billing Verification

245. Jazz submitted that the Commission should impose tariff-related obligations and implement stringent monitoring mechanisms to ensure non-discriminatory practices in the



market. It further advocated for the imposition of conditions comparable to, or more stringent than, those stipulated in the Warid Merger order.

246. Upon the Commission's inquiry, PTA, through its letter dated 16.09.2024, stated that the *"procedure to regulate tariff set by CMOs is being regulated in accordance with Section 26 of the Act read with Section 10 of the Consumer Protection Regulations 2009 also considering the status of non-SMP and SMP. In addition, for the purpose of clarity, it is also relevant to mention that PTA carries out billing verification surveys to monitor that operators are fairly charging their customers and as per advertised tariffs and terms and conditions."*

247. In view of the foregoing submissions, the Commission finds that PTA, by mandating the prior publication of pricing terms and verifying compliance therewith, is adequately addressing the risk of overcharging and promoting fairness in the market. PTA's active monitoring and verification of the prices and terms offered to consumers serve to reinforce countervailing buyer power by limiting the ability of operators to exploit their market position. Furthermore, regular verification exercises by PTA ensure adherence to advertised tariffs and associated terms and conditions.

6.3.3. Concluding Remarks

248. The Commission concludes that the proposed merger is likely to create a dominant position in the RMT market, carrying a risk of reducing competition. By consolidating subscriber bases and network resources, the MergeCo will hold a substantial market share altering competitive dynamics and potentially reducing the intensity of rivalry among other players. Although dominance in itself does not constitute a contravention of the 2010 Act, it increases the risk of future market abuse and collusion/cooperation in terms of control over pricing or restricted access to infrastructure.

249. While the proposed merger may not produce immediate anti-competitive effects, the Commission considers sustained regulatory oversight of the MergeCo and other industry players essential to safeguarding consumer choice, maintaining competitive pricing and encouraging innovation. In this context, PTA plays a vital ex-ante role with statutory and regulatory tools to deter monopolistic behavior, particularly by the MergeCo and other market leaders. Under the 2000 Rules, PTA may designate SMP operators and require such licensees to obtain prior approval of their RIOs. If effective, this process could enhance



transparency, non-discriminatory access and fair pricing. Moreover, the Consumer Protection Regulations of 2009 and the SIM Card Terms & Conditions approved by PTA can protect consumers against unauthorized use of SIM Cards and also ensure quality use of the mobile telecommunication services.



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A handwritten signature in black ink, consisting of a stylized 'K' followed by a long horizontal stroke.

7. WHOLESALE DOMESTIC LEASED LINES MARKET (WDLL MARKET)

7.1. Defining the Relevant Market

250. Wholesale leased lines consist of part-circuits that enable telecom service providers to link their networks to end-user locations, facilitating business connectivity services. Domestic leased lines provide for transmission capacity between network termination points, located within Pakistan, for interconnecting mobile switches, other telecom switches, building etc. within national boundaries.

7.1.1. Submissions of Notifying Parties

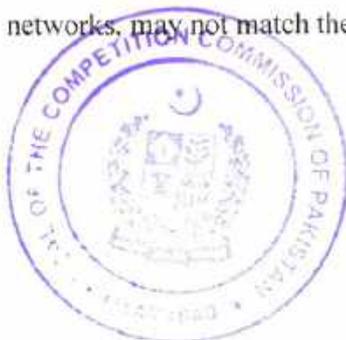
251. The Notifying Parties submitted that “[d]omestic Leased Lines Market means the telecommunication facilities which provide for transparent transmission capacity between network termination points for interconnecting mobile switches, other telecom switches, building etc. within the national boundaries.”

7.1.2. Wateen’s Contention

252. Wateen submits that LDI operators provide Domestic Private Leased Circuit (DPLC) services, which also falls under the WDLL market. DPLC services constitute dedicated private telecommunications circuits leased by customers for exclusive use, which is essential for businesses that require reliable and high-capacity connections for their operations. Wateen argued that the merger could lead to a dominant entity that restricts access to leased lines, raising costs for businesses and limiting connectivity options for the LDI operators.

7.1.3. Commission’s Assessment

253. Domestic leased lines facilitates the interconnection of switches, data centers and other network elements within national borders, playing a critical role in network scalability and performance. These lines enable telecom operators (LDI, LLOs and MNOs etc.) to support their own service delivery as well as provide backbone connectivity to other telecom service providers.
254. Leased lines offer high-speed, secure data connections critical for telecom operators, ISPs, and large enterprises. These services have few viable substitutes. Alternatives like traditional broadband or VPNs (Virtual Private Networks) which are deployed over public networks, may not match the reliability, speed and security offered by leased lines.



255. Of all categories of leased lines, Fiber leased lines offer the highest transmission speeds. These lines provide a dedicated symmetric data connection by sending light over fiber optics cables. In most cases, fiber is deployed for a substantial portion of the route, particularly for the “backhaul” segment, which connects mobile cellular base stations to the core network. In certain instances, the fiber extends along the entire route. Backhaul infrastructure is a critical element of mobile telecommunications networks. Mobile networks are ubiquitous carrying voice, video, text and data traffic originating from and terminating on mobile devices. All of this traffic is conveyed between the mobile cellular base stations and the core network through backhaul.⁸²

(a) Substitution Analysis

256. The substitutability of wholesale domestic leased line services is highly limited due to their specialized functionality. Such lines provide dedicated, high-speed and secure data transmission which is indispensable for telecom operators, ISPs and large enterprises. Alternative services such as shared broadband or VPNs do not generally match the reliability, speed or security offered by leased lines, rendering them poor substitutes. Resultantly, in the event of an increase in prices or deterioration in service quality by PTCL, the technical requirements of leased line users may not be adequately met by other products or services available in the market.

257. The Commission further notes that supply-side substitutability is constrained by the necessity for extensive physical infrastructure. PTCL’s nationwide network footprint extends to areas where other competing providers have minimal or no presence, particularly in rural or underserved regions. Customers in such areas are, therefore, dependent on PTCL’s infrastructure, with limited geographic alternatives. Post-merger, the integration of TPLDI’s leased line assets into PTCL’s network will further restrict customers’ switching options, thereby reinforcing PTCL’s market dominance and diminishing competitive pressure across both product and geographic dimensions.

7.1.4. Concluding Remarks

258. In light of the foregoing analysis, the Commission concludes that the Wholesale Domestic Leased Lines market constitutes a relevant product market which is national in scope.

⁸² https://www.gsma.com/solutions-and-impact/technologies/networks/gsma_resources/mobile-backhaul-an-overview/



Examination of this market is necessary to identify the competitive constraints and to undertake an assessment of dominance, particularly in relation to the post-merger impact of the Transaction on market dynamics.

7.2. Assessment of Wholesale Domestic Leased Line Market

7.2.1. Analysis of Market Shares and Concentration

259. According to the Notifying Parties, *“for determining the total market size and the market share of a particular operator in domestic leased lines market, only the revenues from the provisions of domestic leased lines services shall be taken into account. For the purpose of clarification, only the revenues from the original rental or sale by the operator, and not the revenues from reselling of domestic leased lines shall be considered.”*
260. Revenue data for Domestic Leased Lines for major operators in 2022 and 2023 reflects the competitive dynamics and changes in market shares within this segment:

Domestic Leased Line Revenues Share by Major Operators

Operator	2022	2023
PTCL	43.60%	42.10%
TPLDI	0.60%	0.60%
Combined	44.20%	42.70%
LinkdotNET	22.30%	26.90%
Zong	2.00%	2.00%
Wateen	31.40%	28.30%

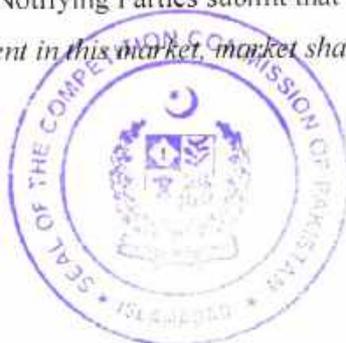
Source: PTA

261. PTCL retained its dominance although its market share dropped slightly from 43.60% in 2022 to 42.10% in 2023. TPLDI’s share remained constant at 0.60% in both years. The combined share of PTCL and TPLDI fell from 44.20% in 2022 to 42.70% in 2023. LinkdotNET recorded significant growth in its share from 22.30% to 26.90%, signaling an expansion in its market presence. On the other hand, Wateen’s share contracted from 31.40% in 2022 to 28.30% in 2023, while Zong maintained a stable 2.00% share over the period.

7.2.2. Competition Assessment

(i) Submissions of Notifying Parties

262. The Notifying Parties submit that *“ [w]hile both PTCL and TP (through Telenor LDI) are present in this market, market shares for this are not available. However, PTCL, pursuant*



to PTA Determination, has been declared as SMP Operator in this market in Pakistan and SCO has been declared SMP Operator in AJK and GB and therefore PTCL is already a strong player in this segment and there will be no creation of dominance as a result of the proposed Transaction. In 2019, PTCL's market share was about 48%. It is also important to note here that since this market is an interconnect market where each CMO has a 100% share of its own subscriber base, no competition concerns arise.⁸³

(ii) Stakeholders Concerns

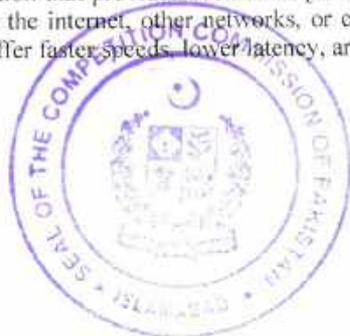
263. Jazz submitted that "PTCL is in a dominant position and has been declared to hold Significant Market Power by PTA in its Determination dated 23 July 2021 on the basis inter alia that it has 48% of the market share (in 2019) with TP's additional market share this would strengthen the dominant position in the market with an ability to foreclose downstream competitors of MergeCo. There is no suggestion in the Pre-Merger Application that PTCL has ceased to hold this market share based on more recent data, whereas it is acknowledged that PTCL is a strong player in this segment." The proposed merger will therefore strengthen the dominant position of PTCL in the DLL market in Pakistan with the addition of TP's market share and market position. Accordingly, the proposed merger will have the effect of "strengthening a dominant position in the relevant market". Jazz also advocated for enforceable obligations to ensure fair treatment of other operators in the WDLL market.

264. TWA raised concerns about PTCL's existing dominance in WDLL Markets for consumer and corporate connectivity (DPLC),⁸⁴ suggesting the proposed Transaction will further strengthen this position.

265. Wateen highlighted that the potential anti-competitive effects of the vertical integration between PTCL and TPLDI, followed by a horizontal merger between TP and Ufone could diminish competition in domestic leased lines market. Wateen also alleged that in 2013 Ufone acquired DPLC services through a BTS Backhaul Services Agreement from it for various cities across Balochistan. However, when PTCL established its infrastructure footprint in those areas, Ufone terminated its contractual relationship with Wateen. Since

⁸³ PART 3B, para 6.1(3) of the Application

⁸⁴ <https://glide.co.uk/news/a-guide-to-business-leased-lines/>. Leased line [in this context] is a dedicated, high-speed connection that provides businesses [other than telecommunication operators] with a secure and private connection to the internet, other networks, or cloud-based services. Unlike traditional broadband connections, leased lines offer faster speeds, lower latency, and superior reliability.



MNOs and telecom operators are customers of DPLC services, their demand for such services may influence the market for these services.

(a) Horizontal and Vertical Overlap

266. Statistically, PTCL remains the dominant player in the WDLL Market, having a market share of 42.10% in 2023⁸⁵. The proposed merger between PTCL and TPLDI will result in a horizontal overlap. Given TPLDI's reliance on external providers such as Wateen and PTCL for its LDI services, coupled with its negligible share of 0.60% in the domestic leased lines segment, its capacity in this market remains limited. The combined post-merger market share of approximately 42.70%, will be attributed primarily to PTCL's existing dominance.

267. The Commission notes that in oligopolistic markets, even a marginal increase in market share can strengthen an existing dominant position. In the present case, TPLDI's negligible infrastructure and dependence on other LDI operators may not affect competition significantly in the WDLL markets. Nonetheless, the vertical overlap between PTCL and TP's infrastructure services raises two specific concerns: (a) potential customer foreclosure, through the elimination of TP as an existing customer of other WDLL providers; and (b) the risk that PTCL, post-merger, may afford TP preferential access to its infrastructure, thereby distorting competition.

(b) Unilateral and Coordinated Effects

268. Unilateral effects are likely to arise if PTCL leverages its existing infrastructure dominance to provide connectivity services to MergeCo/TP on preferential basis. Such conduct could restrict other MNOs access to PTCL's WDLL services, resulting in input foreclosure and a significant lessening of competition. This risk is underscored by the fact that Ufone currently procures all of its LDI and DLL services from PTCL. Given PTCL's market position, it possesses both the ability and the incentive to act unilaterally in the WDLL market, which will ultimately lead to higher prices and reduced choice for consumers.

269. Coordinated effects might emerge if major players, such as PTCL and its competitors LinkdotNET, CMPak LDI and Wateen align their pricing behaviour; a hallmark of

⁸⁵ PTA's letter dated 07.05.2024.



oligopolistic market. Such parallel conduct, even absent explicit agreement, may result in tacit collusion, whereby entities mirror each other's pricing strategies. The elimination of TP and TPLDI as independent competitors in the LDI and MNO markets will further heighten the risk of anti-competitive coordination.

(c) Barriers to Entry

270. The Domestic leased line market presents significant barriers to entry, particularly due to the high infrastructure costs associated with laying fiber networks, co-location, licensing costs and other related infrastructure cost. PTCL's entrenched dominance, coupled with a tied customer i.e. MergeCo, is likely to further elevate these barriers, thereby deterring new entry and constraining effective competition. Such conditions reinforce PTCL's dominant position, potentially stifling innovation and competition.

(d) Countervailing Buyer Power

271. Countervailing buyer power of large corporate customers (such as financial institutions, banks, ISPs, educational institutions, governmental agencies, health facilities, and data centers) and MNOs may serve as a check on PTCL's potential market power. The extent of such constraint, however, is contingent upon the presence of alternative infrastructure providers across different regions and the ability of such providers to effectively challenge PTCL's control over key infrastructure elements. In the absence of viable alternatives, the Transaction is likely to weaken the bargaining position of such customers.

7.2.3. Concluding Remarks

272. PTCL controls a significant portion of essential infrastructure, giving rise to legitimate concerns regarding potential foreclosure of competitors. The provision of WDLL and DPLC services necessitates substantial infrastructure investment, creating high barriers to entry and limiting the ability of new entrants to contest PTCL's position. The proposed Transaction could further elevate these barriers by consolidating control over essential leased line infrastructure, thereby restricting market entry. The Commission notes, however, that PTCL's dominance in this market is not a Transaction-specific outcome but rather a pre-existing structural feature attributable to its historical incumbency. Nonetheless, post-merger, PTCL and MergeCo will have both the ability and the incentive to adversely affect competition in this market.



8. WHOLESALE IP BANDWIDTH MARKET (IPBW or IP BANDWIDTH MARKET)

8.1. Defining the Relevant Market

273. The IP Bandwidth refers to the capacity at which a network can transmit data. For example, if the bandwidth of a network is 40 Mbps, it implies that the network cannot transmit data faster than 40 Mbps in any given case.

8.1.1. Submissions of Notifying Parties

274. According to the Notifying Parties, *“IP Bandwidth market includes provision of wholesale IP Bandwidth to other operators for voice as well as data services.”*

275. *“Pakistan’s global connectivity relies on seven submarine systems and the Pak-China OFC, supporting operators like PTCL, Transworld, and SCO, with Telenor sourcing 100% of its internet bandwidth from PTCL since 2021, leaving the bandwidth market unaffected by the merger. LDI/Fixed line Market dynamics are also set to evolve with new cables (Africa-1, SMW-6, 2Africa) and satellite providers like Starlink. PTCL ensures fair competition by adhering to regulatory guidelines and offering services at commercial rates, with no restrictions on LDI operators, post-merger.”⁸⁶*

8.1.2. Commission’s Assessment

276. Presently, there are two major operators offering Wholesale IP Bandwidth services in Pakistan. As per PTA’s practice, the market share and size are determined by considering the revenue generated from the original provision of IP Bandwidth, excluding the revenue created from reselling. The market has been identified as a duopoly, with PTCL holding 54.8% of the market share in 2019. PTCL and TWA are the two dominant players and the market is highly concentrated.

277. The Commission notes that PTCL is a wholesale supplier of IP Bandwidth but at the same time it is also providing IP Bandwidth in the retail market. There are concerns from the relevant stakeholders that PTCL competes with its buyers (of wholesale IPBW) in the retail markets. The situation becomes more complicated because PTCL also holds SMP in the 14 Local Loop regions.

⁸⁶ Submissions on Efficiencies



(a) Substitution Analysis

278. The IP Bandwidth market in Pakistan is dominated by PTCL and TWA. The provision of IP Bandwidth services relies on access to undersea cables and extensive terrestrial networks, both of which are primarily controlled by PTCL and TWA. The scope for substitution is limited owing to the specialized infrastructure and capacity required to provide high-speed internet connectivity. Alternative providers, such as PEACE, have minimal presence and lack the requisite scale to offer competitive services. As a result, customers such as ISPs and telecom operators have few viable alternatives, even in the event of increased prices or reduced service quality. This lack of close substitutes, both in terms of infrastructure and capacity, serves to reinforce the entrenched dominance of PTCL and TWA. Under current market conditions, it appears unlikely that competitors will be able to effectively challenge their market positions, thereby reducing the prospect of effective competition.

8.1.3. Concluding Remarks

279. The IP Bandwidth market is characterized by a duopoly, with only two operators offering these services to other telecom operators for the provision of internet services. The market presents significant entry barriers, primarily due to high costs in setting up submarine cables and landing stations, resulting in limited substitutability for customers. Post-merger, the MergeCo is likely to source all of its IP Bandwidth capacity from PTCL which will further reinforce PTCL's dominance. Owing to such competitive constraints, the Commission is of the view that IP Bandwidth is the relevant market, which is national in scope, and for the purpose of this Order its assessment is mandatory.

8.2. Assessment of IP Bandwidth Market

8.2.1. Analysis of Market Shares and Concentration

280. The Notifying parties submitted that “[f]or the purpose of determining the total market size and the market share of a particular operator in IP Bandwidth market, PTA recommends taking into account only the revenues earned by the operators from the provision of IP Bandwidth services. Accordingly, only the revenues from the original rental or sale by the operator, and not the revenues from reselling of IP Bandwidth shall be considered.”



281. According to PTA’s Annual Report of 2023, the key players in Pakistan’s international bandwidth provision include PTCL, TWA, Cybernet and SCO. Together, they offer an installed capacity of 13.3 Tbps. Cybernet has recently expanded its global reach via the PEACE cable. Plans are afoot to connect with three additional submarine cables: Africa-1, SMW-6 and Africa-2. The table below shows the market share of these key operators.

IP Bandwidth Revenues Share by Major Operators⁸⁷

Operator	2022	2023
PTCL	58.3%	64.5%
TWA	41.7%	35.5%
Combined	100%	100%

Source: PTA

282. As reported by PTA in 2023, PTCL’s share of IP bandwidth revenues rose to 64.5%, up from 58.3% in 2022, while TWA’s share decreased from 41.7% to 35.5%. Together, the two operators continue to dominate the market with a combined share of 100%, highlighting a duopolistic structure where they control the entire market. This suggests limited competition and a concentration of market power between the two primary players. Despite the shift in individual shares, the total market size for IP bandwidth revenues has remained constant, with PTCL gaining a larger portion than TWA.

8.2.2. Competition Assessment

(i) Submissions of Notifying Parties

283. *“Pursuant to PTA Determination, in 2019 PTCL held 54.8% of market share and PTA declared duopoly in the market structure (by TWA and PTCL) and therefore PTCL is already a strong player in this segment and there will be no creation of dominance as a result of the proposed Transaction.”*

(ii) Stakeholders Concerns

284. Jazz submitted that PTCL is in a dominant position and has been declared to hold SMP in the relevant market by PTA in its 2021 SMP Determination on the basis, *inter alia*, that it has a market share of 54.8% and there is no suggestion in the Pre-Merger Application that PTCL has ceased to hold this position based on more recent data. WorldCall and Zong

⁸⁷ PTA has noted that PEACE cable by Cybernet is operational, however, no sale reported for the above referred period.

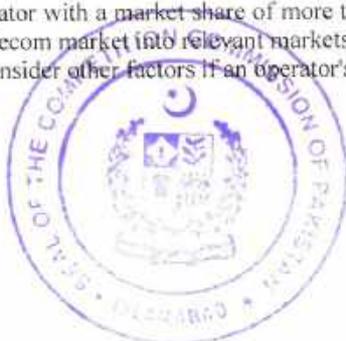


raised concerns about PTCL's dominant position in the IP bandwidth market and its potential to limit competition. PTCL controls more than 54% of the market. It has extensive fiber network that strengthens its position in connectivity services. Jazz and other operators argue that PTCL should be subject to enforceable obligations to ensure fair access to IP bandwidth and related network services. Zong submitted that *"PTCL being an SMP in the Wholesale IP Bandwidth Market is obstinately using its dominant position to dictate the terms and conditions of IP Bandwidth offered to downstream providers. Zong and others are already facing a severe challenge in terms of B2B internet traffic routing through PTCL which necessitates PTA's intervention to ensure fairness of competition. Following the proposed merger, PTCL will continue to dominate the upstream while Ufone and Telenor will hold control over downstream traffic which will lead to anti-competitive behaviour. Hence, investigation of, and necessary action against, PTCL's cross subsidization to its retail units and blocking of B2B traffic through its competitors is required to be carried out."*

285. In response to concerns regarding the IPBW market, PTCL vide submissions dated 29.10.2024 stated that *"TP has a negligible share in this market as it does not have cable landing station under its LDI license. Moreover, PTCL is already serving TP since 2019, TP is utilizing 100% IPBW from PTCL. Acquisition of TP by PTCL will not impact IPBW market. Therefore, any foreclosure concerns are unfounded."*

286. PTA, in its letter dated 16.09.2024, stated that *"PTCL is not the only LDI operator owning Cable Landing Stations (CLS), Transworld and Cybernet also own CLS at Karachi, which makes the market highly competitive in terms of wholesale broadband. In addition, wholesale broadband is being regulated in light of parameters as laid down in Rule 17⁸⁸ of the Pakistan Telecommunication Rules, 2000. Telecom market is fully deregulated and accordingly for B2B pricing, operators are free to negotiate and set commercial terms mutually."*

⁸⁸ Rule 17 of the Pakistan Telecommunication Authority (PTA) Rules of 2000 gives the PTA the power to determine relevant markets and assign significant market power (SMP) status to operators: Rule 17(1) An operator is presumed to have SMP if they have more than 25% of a particular telecommunications market's share. Rule 17(2) The PTA may use other measures to determine if an operator with a market share of less than 25% has SMP, or if an operator with a market share of more than 25% does not have SMP. Relevant markets The PTA divides the entire telecom market into relevant markets based on geographical area and products or services offered. The PTA may consider other factors if an operator's market share is close to the 25% threshold.



287. Data provided by PTA indicates that PTCL holds a dominant share of 64.5% of the IP Bandwidth market by revenue, while TWA holds a smaller share of 35.5%. This underscores PTCL's significant market position and substantial control relative to TWA.

288. The Commission finds that in the IP bandwidth market, although characterized as two players at present, and to an extent regulated through SMP determinations as noted above, PTCL holds a significant advantage over TWA due to its control over essential infrastructure used for data transmission. It includes an extensive fiber network critical for high-capacity data transmission and wholesale internet access.

289. In its 2021 SMP Determination on Wholesale IP Bandwidth Market, PTA highlighted that *"Per se, IP Bandwidth Market in Pakistan has a duopoly market structure and is not competitive...[b]esides offering wholesale IP bandwidth services, sister concerns of TWA and PTCL itself are also offering retail broadband services, therefore, there is strong possibility of cross-subsidization to their retail business units while charging higher wholesale rates to other retail broadband operators. In this regard, the Authority in the past had received complaints against PTCL regarding anticompetitive practices and cross-subsidization in the retail broadband market. Thus declaring/determining SMP in the instant market would enable the Authority to look into the anti-competitive practices and cross-subsidy (if any) and disposal of related complaints in an informed and transparent manner."*⁸⁹ [Emphasis added]

290. PTA also highlighted that *"PTCL and TWA have all the means to control their consumers as other operators have no choice but to acquire IP bandwidth services only from these two operators."*⁹⁰

291. The Commission is also of the view that PTCL and TWA's involvement in both wholesale and retail broadband services raises the risk of cross-subsidization, whereby higher wholesale charges may be imposed on competitors while their own retail operations may be subsidized. Such conduct could distort competition. While PTA's 2021 SMP Determination provides a framework for monitoring and addressing such practices, these determinations are currently under judicial review and remain pending adjudication.

⁸⁹ Para 5.1.4 of the Determination

⁹⁰ Para 5.1.5 of the Determination



292. In view of the foregoing, continued regulatory oversight will be necessary to determine whether, post-merger, PTCL is engaging in anti-competitive conduct, including, *inter alia*, predatory pricing through the subsidization of its subsidiaries and affiliates.

(a) Horizontal and Vertical Overlaps

293. In the proposed Transaction, there are no horizontal overlaps in the IPBW Market. Vertically, TP's dependence on PTCL for its internet capacity creates a critical link that reinforces PTCL's dominance. This interdependence highlights the potential for PTCL to favor its own downstream divisions over rival ISPs. Post-merger, a number of vertical relationships may develop between PTCL's role in the upstream wholesale IP Bandwidth market and the downstream retail internet activities of MergeCo (mobile broadband) and PTCL LL services.

(b) Unilateral Effects and Coordinated Effects

294. Unilateral effects occur when a merged entity gains sufficient power to independently influence prices or service quality. PTCL may grant preferential treatment to its wholly owned subsidiary, MergeCo, by leveraging its control over essential IP Bandwidth and fiber network infrastructure. As the primary supplier of these critical inputs, PTCL might offer MergeCo more favorable wholesale pricing, cross-subsidization, priority access or superior service quality, thereby placing competing ISPs and telecom operators at a competitive disadvantage. Such preferential treatment could take various forms, including discounted bandwidth rates, expedited service provisioning or exclusive access to enhanced network capacities, enabling the MergeCo to deliver more competitive retail services than its rivals.

295. The merger heightens the risks of coordinated effects in the already concentrated IP Bandwidth market. In para 5.14 of the 2021 SMP Determination, PTA observed that “[currently] only two operators i.e. PTCL and TWA are providing IP Bandwidth services in Pakistan therefore they have the ability to influence market conditions through collusive behaviours and by not offering competitive prices to other telecom operators.” The Commission shares similar concerns regarding the potential for tacit collusion between PTCL and TWA. Such a scenario may lead to price-fixing and market-sharing arrangements, resulting in higher prices and diminished service quality for consumers. In



concentrated markets of this nature, enterprises often find it easier to monitor each other's actions, allowing them to coordinate strategies without explicit agreements.

(c) Barriers to Entry

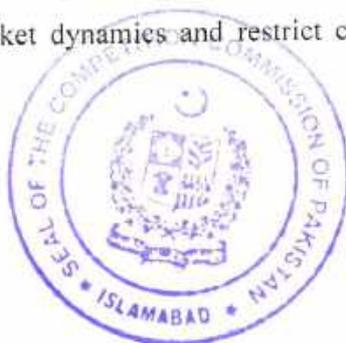
296. IP Bandwidth market is characterized by high barriers to entry and expansion across jurisdictions, which materially restricts entry of new operators. PTCL's entrenched dominance, reinforced by its control over critical infrastructure and key interconnection points, acts as a further deterrent to market entry. Although new facilities, such as the PEACE submarine cable, and emerging technologies, including satellite-based services like Starlink, may appear to offer additional options for service provision, the practical impact of these alternatives is likely to be constrained by PTCL's existing infrastructure control. Accordingly, notwithstanding these potential developments, PTCL's prevailing market position is expected to continue posing significant impediments to effective competition in this market.

(d) Countervailing Buyer Power

297. With only two dominant players in Pakistan's IP Bandwidth market, PTCL and TWA, business and corporate customers, particularly MNOs and ISPs possess limited bargaining power. This concentrated market structure allows PTCL and TWA to exert substantial influence over contract terms, leaving buyers in a weaker negotiating position. In this counterfactual scenario, the current duopolistic structure of the market could, in itself, diminish competitive pressures, resulting in higher costs and reduced service quality for MNOs and ISPs. This concern aligns with the Commission's assessment and accords with the findings of PTA in its 2021 SMP Determination, where in para 5.1.4, it has noted that *"TWA and PTCL have all the means to control their consumers as other operators have no choice but to acquire IP Bandwidth services only from these two operators."* These constraints highlight the necessity of continued regulatory oversight to address the imbalance of market power and to safeguard the interests of MNOs, ISPs and ultimately end-users.

8.2.3. Concluding Remarks

298. The Commission is of the view that in a highly concentrated IP Bandwidth market, regulatory oversight is imperative to prevent anti-competitive practices that may distort market dynamics and restrict consumer choice. These concerns are amplified in the



context of PTCL's proposed acquisition of TP and the resultant merger of TP with PTML, which could substantially strengthen PTCL's ability and incentive to exert control over, influence pricing and service access and confer preferential treatment upon its subsidiary in the provision of IP Bandwidth services. Such consolidation poses a material risk of reducing competition, disadvantaging rival ISPs and telecom operators, and narrowing the range of options available to end-users.



9. WHOLESALE INDIVIDUAL MOBILE/FIXED INTERCONNECT MARKET

9.1. Defining the Relevant Market

299. Interconnection means “the physical and logical linking of public electronic communication networks used by the same or a different undertaking in order to allow the users of an undertaking to communicate with the user of same or another undertaking, or to access services provided by another undertaking. Services may be provided by the parties involved or other parties who have access to its network.”⁹¹

9.1.1. Submissions of Notifying Parties

300. The Notifying Parties submitted that the “[i]ndividual Mobile/Fixed Interconnect Market includes provision of call termination services by a given individual mobile operator to other telecom operators for local, long distance, and/ or international calls.”

9.1.2. Commission’s Assessment

301. PTA distinguishes between the individual fixed interconnect market and the individual mobile interconnect market as follows: “Individual Fixed Interconnect Market includes the provisions of call termination services by a given individual LL operator (PSTN or WLL) for local, long distance and/or international calls”, whereas “Individual Mobile Interconnect Market includes the provisions of call termination services by a given individual operator to other telecom operator for local, long distance, and/or international calls.”⁹²

(a) Substitution Analysis

302. It was observed in the Warid Merger order that Mobile Call Termination (MCT) is a wholesale service market on a single mobile network which constitutes a separate relevant product market, with each operator holding 100% market share. From the supply-side perspective, MNOs face virtually no competitive constraints in the wholesale MCT market, whether it is fixed-to-mobile or mobile-to-mobile calls. From a demand-side perspective, end-consumers are impassive to call termination charges when they choose a network.⁹³

⁹¹ This is in line with the definition of Interconnection by ITU, provide by PTA in the 2004 Interconnection Guidelines. Also see https://www.itu.int/ITU-D/treg/Documentation/Infodev_handbook/3_Interconnection.pdf

⁹² https://www.pta.gov.pk/assets/media/SMP_Conslt_Paper_2006_V4.pdf Para 9 - 11.

⁹³ Para 49 of the Warid Merger Order.



303. In the Warid Merger order, the Commission treated call termination as a distinct and separate product market. The broader “Interconnection” in telecom services will not be discussed here rather the focus will only be on Mobile Termination Rates (MTR) under this market heading. Other relevant aspects of “Interconnection” which may be affected by the proposed merger, such as Leased Lines and E1 capacities are addressed in other parts of this Order.

304. The Commission also notes that PTA’s determination to treat each mobile network as a separate market for call termination is consistent with international best practices followed by telecom regulators. This approach acknowledges that no other provider can compete for call termination on a specific network, making any concerns related to market concentration or competition irrelevant in this context.

305. Consistent with precedent, the Commission notes that call termination services on national networks are provided on the basis of interconnection agreements both on fixed and mobile networks. The interconnect charges on the national level are regulated by PTA. There are no significant horizontal overlaps between the activities of MNOs in this market.⁹⁴

9.1.3. Concluding Remarks

306. In conclusion, the Commission finds that the relevant product market comprises call termination services, where each operator maintains a natural control of 100% over termination services for calls to its subscribers. Geographically, the market is national, regulated by PTA to ensure consistency across networks.

9.2. Assessment of Wholesale Individual Mobile Interconnect Market

9.2.1. Analysis of Market Shares and Concentration

307. The Notifying Parties submitted that *“There exists no competition in this market due to the fact that call termination service cannot be provided by any other operator by the owner of the called network. Therefore, PTA had determined mobile termination rates (MTR) as well as that each mobile network constitutes a separate market, and accordingly, consistent with international best practices, each mobile operator has a*

⁹⁴ Para 49 of the Warid Merger Order



100% market share in respect of its individual network for call termination. Accordingly, no concerns of competition arise here.”⁹⁵

308. In the Warid Merger order, the Commission noted that “call termination is the service provided by one network operator to another network operator (i.e. the wholesale service), whereby a call originating in the former operator’s network is made to a user in the latter operator’s network”. Call termination allows users of different networks to communicate with one another and is a wholesale service provided by all network operators to other operators on the basis of interconnection agreements and is regulated by PTA.

309. In the MCT market, each operator holds a 100% market share and operates as a monopoly as no other operator can provide call termination on its network. MNOs face no competition in this market, and end-consumers are indifferent to call termination charges when choosing a network. MCT services are regulated by PTA through interconnection agreements, with each operator controlling termination services on its own network within the national market.

(b) Stakeholders Concerns

310. Zong contended that the proposed merger could lead to a net outflow of traffic towards MNOs, compounding the existing MTR cost of Zong. To maintain competitive balance, Zong proposed that MTR should be set to Zero. Zong further highlighted that Jazz and TP have consistently opposed any reduction in MTR, asserting that MNOs with significant market power can shape the market to their advantage. Additionally, Zong pointed out that MNOs with SMP status, such as Jazz and TP, often challenge PTA’s determinations, as seen in the ongoing court case regarding the 2021 MTR determination, which is still pending adjudication before the Supreme Court of Pakistan. When PTA was inquired as to whether SMP operators can influence MTR determination it responded as follows:

“MTR is determined on the basis of international benchmarking analysis or cost-based method. However, cost based studies require time and expenditure, coupled with extensive data requirements by operators. In absence of cost-based data, PTA has recently determined MTR on the basis of international benchmarking through

⁹⁵ PART 3B, para 6(i)(5) of Application.



*stakeholders consultations, using respective country level factors including MTRs, ARPUs, per capita GDP, etc. All the operators are complying with authority determined MTRs.*⁹⁶

9.2.2. Competition Assessment

311. The Interconnection market in Pakistan operates as a wholesale service that allows users of different networks to connect and communicate with one another. It is a mandatory service provided by network operators based on negotiated interconnection agreements, regulated by PTA under the Interconnection Guidelines 2004; SMP Determination; and RIOs as well as license conditions. It is a broader market of which MTR is only a segment. The Commission agrees with the Applicant that given the unique nature of call termination, where only the owner of the called network can offer termination services, there is no competition in this segment of the market. PTA regulates MTRs and each mobile network is treated as a distinct market, with 100% market share for call termination. All MNOs are declared as SMP Operators in the individual mobile interconnection market.

(a) Horizontal and Vertical Overlaps

312. In the call termination market, horizontal overlaps are characterized by mutual interdependence, as MergeCo will continue to rely on other MNOs such as Jazz and CMPak for call termination services and vice-versa. Vertically, both PTCL and MergeCo will provide wholesale call termination services. However, due to consumer's predominant preference for mobile telephony over fixed-line services, the merged entity is unlikely to possess a material advantage that could be leveraged to distort competition in this market.

(b) Elimination of Effective Competitor

313. In the interconnection market, there is no effective competitor to be eliminated because each operator holds a monopoly over call termination within its own network. Consequently, the merger does not raise concerns regarding the removal of a competitor, since every operator remains the sole provider of call termination services on its respective network. The competitive landscape for call termination, therefore, remains largely unaffected by the proposed Transaction.

⁹⁶ PTA's Letter dated 18 December 2024.

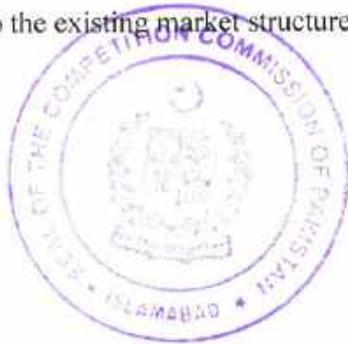


(c) Unilateral and Coordinated Effects

314. Given that each mobile operator holds a 100% market share for call termination within its own network, MergeCo is unlikely to increase its market power in this specific market. The inherent lack of competition in the call termination market limits the potential for coordinated effects. Each operator's monopoly over its network's termination services coupled with PTA's regulatory oversight mitigates the risk of any coordinated anti-competitive conduct.

9.2.3. Concluding Remarks

315. Pre-merger, each mobile network is a separate market with no competition for call termination services. Post-merger, this structure remains unchanged as the Merged Entity will retain a 100% share for call termination on its network. While the horizontal overlap affects the retail segment, the interconnection market dynamics remain largely unaffected due to the existing market structure and regulation by PTA.



10. INFRASTRUCTURE MARKET

316. This market involves the infrastructure required by telecom service providers for network operation, including towers, small cells, and Distributed Antenna Systems (DAS) which support mobile network deployment by providing space for operators to install equipment. There is overlap with the LDI Market which focuses on long-distance voice and data transmission, including fiber optics networks, Long-Haul IRU and satellite links, serving both domestic and international telecom operators.

10.1. Submissions of Notifying Parties⁹⁷

317. *“Telecom infrastructure refers to the network of physical and virtual components that enable the transmission and reception of information in the field of telecommunications, and encompasses a wide range of elements, both physical and virtual that work together to enable effective communication. It forms the backbone of the communication systems that facilitate the exchange of voice, data, and multimedia across various devices and platforms, accordingly, has intrinsic value for MNOs.”*

318. *“Telecom network deployment involves heavy CAPEX (capital) and OPEX (operational) expenditures for operators and is considered as a major deterrent for network expansions. For this reason, PTA has issued an infrastructure sharing framework in this regard, titled “Framework for Telecom Infrastructure Sharing” in October 2023, made in line with the Telecom Policy 2015 (the “Infrastructure Sharing Framework”). The scope of this document is to provide a regulatory mechanism for licensed operators to share infrastructure to promote resource optimization by better utilization of assets, avoiding duplication of network infrastructure, saving time and costs, accelerating service rollouts.”*

319. *“Infrastructure sharing can be categorized into two (2) broad categories i.e. (a) Active Infrastructure Sharing and (b) Passive Infrastructure Sharing. Active Infrastructure Sharing involves sharing the electronic network components embodied in mobile and fixed networks, core and access nodes, Operational Support System (OSS), Business Support System (BSS) and elements involved in transmission and reception of signals. Passive Infrastructure Sharing means sharing of infrastructure such as physical sites, buildings, premises, tower / masts, power supply (including battery, diesel gen-set, any alternate*

⁹⁷ PART 3A, para 3.1 of the Application.



energy means), air-conditioning, etc. which are not directly involved in processing of communication signals.”⁹⁸

10.2. Wateen’s Contentions

320. According to Wateen “[i]nfrastructure Services play a vital role in the ability of cellular mobile operators...and other licensees to provide services to their end consumers. The Applicants acknowledge that a Telecom Infrastructure market exists, but casually brush it aside as being unaffected by the merger. Additionally, the Applicants fail to identify other key service areas within the Telecom Infrastructure markets, which serve as independent product/service markets. It is relevant to note that within this area, there are further key services, which Wateen and other LDI licensees and TIPS provide”, namely:

- (a) **Long-Haul Indefeasible Rights of Use (IRUs):** Long Haul IRUs provide telecom operators long-term access to existing fiber optics networks, enabling them to use existing infrastructure without the need to build their own. This arrangement boosts competition, reduces costs and improves network reliability, despite requiring a significant upfront investment.
- (b) **Tower Fiberization:** Tower fiberization connects cell sites to optical fiber, enhancing bandwidth and reducing latency. This improves the performance of MNOs networks for video, internet and voice services, effectively replacing older wireless backhaul methods. PTCL is a dominant player in this market. Post-merger, PTCL is expected to become the largest provider of fiber infrastructure, controlling approximately 45% of fiber connected towers in Pakistan.
- (c) **Co-Location Services:** Co-location services involve renting space in data centers for customers networking equipment/servers. The service providers offer the necessary infrastructure, including networking, security, power and cooling, while customers retain control of their hardware. This arrangement allows companies to avoid the substantial costs and responsibilities associated with maintaining their own data centers.

⁹⁸ Para 3A, para 3.1 of the Application.



10.3. Commission's Assessment

321. Infrastructure market is a broad and multifaceted market, comprising both physical and virtual components, including active and passive sharing arrangements. It facilitates the connectivity of the telecommunication systems and enables end-to-end transmission of voice, data and multimedia across various devices and platforms. Therefore, the infrastructure market forms the core of MNOs network operations.

(a) Wateen's Proposed Segmentation

322. Wateen suggested segmentation of the LDI market into distinct sub-markets, namely, IRU (Indefeasible Right of Use), Tower Fiberization, Colocation, DPLC (Domestic Private Leased Circuits), and IIVS. To support its contention, Wateen relied on Brown Shoe Co. v. United States, 370 U.S. 294, 325; 8 L. Ed. 2d 510, 535 (1962), which applied the 'practical indicia' test to define submarket. Relevant part of the judgment is as follows:

"The outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it. However, within this broad market, well-defined submarkets may exist which, in themselves, constitute product markets for antitrust purposes. United States v. E. I. du Pont de Nemours & Co., 353 U.S. 586, 593-595. The boundaries of such a submarket may be determined by examining such practical indicia as industry or public recognition of the submarket as a separate economic entity, the product's peculiar characteristics and uses, unique production facilities, distinct customers, distinct prices, sensitivity to price changes, and specialized vendors."

323. At the outset, the Commission notes that LDI operators never raised the issues regarding segmentation along these lines during PTA's consultation processes on SMP determination. These arguments were presented for the first time during the public hearings conducted by the Commission.

324. From a technological perspective, the Commission observes that the Telecom Infrastructure market comprises a suite of interconnected services that facilitate voice and data transmission over long distances, both domestically and internationally. The market can be segmented based on network design types and their application.⁹⁹ As mentioned

⁹⁹ <https://www.linkedin.com/pulse/telecom-infrastructure-market-size-pox1e/>



above, the market is composed of several segments¹⁰⁰ which reflects the extensive and interconnected nature of the telecom infrastructure market, with each segment playing a crucial role in supporting connectivity, expanding capacity and fostering innovation across the industry. The emergence of advanced technologies further positions the Telecom Infrastructure market for continued evolution, leading to the development of new and specialized segments.

325. Wateen also asserted that IRU and WDLL are substitutable from a demand-side perspective, thus indicating that they should be taken as one market. Similarly, it claimed that from a supply-side substitutability perspective, Tower Fiberization, Long Haul IRU, WDLL and Colocation all utilize fiber optics cables. Wateen also contended that PTCL's SMP status in WDLL implies dominance across all related sub-markets within the Telecom Infrastructure market.

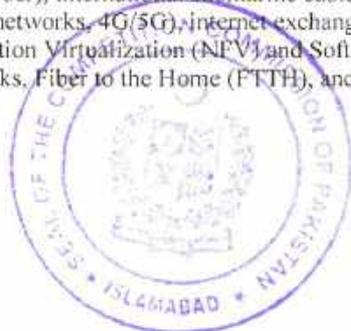
(b) Concluding Remarks on Wateen's Segmentation

326. The Commission is of the view that for any claim of market segmentation to be relevant for assessment purposes, clear demand-side substitutability or supply-side distinctions between the proposed sub-markets must be demonstrated. Many of the segments identified by Wateen are, in practice, integral components of the same network infrastructure ecosystem and cannot be meaningfully treated as separate markets. For example, IRU and Tower Fiberization are supporting infrastructures that enhance network capacity and backhaul efficiency, and may not represent separate product markets for the purposes of this assessment. Instead, these components function as inputs used by operators to deliver comprehensive LDI and network connectivity services without exhibiting standalone demand-side substitutability.

10.4. Tower Infrastructure Market

327. The Commission notes that there are approximately 54,000 BTS sites owned by MNOs and tower companies (such as TAWAL, EDOTCO Pakistan, Tower Power (Pvt.) Limited)

¹⁰⁰ Fiber optic networks (long haul, metro, last-mile), tower infrastructure (leasing, small cells, Distributed Antenna Systems), data centers and cloud infrastructure (colocation, edge computing), backhaul networks (microwave, fiber), international submarine cables, satellite infrastructure, mobile network infrastructure (base stations, core networks, 4G/5G), internet exchange points (IXPs), power systems, and newer technologies like Network Function Virtualization (NFV) and Software-Defined Networking (SDN). Other segments include private networks, Fiber to the Home (FTTH), and telecom equipment manufacturing.



and infrastructure providers. Jazz argued that MergeCo will have the largest number of sites, totaling 24,000 (comprising 11,000 sites of Ufone and 13,000 sites of TP) which represents approximately 44% of the total tower infrastructure sites in Pakistan (54,415 sites were recorded by PTA at the end of fiscal year 2022-2023). PTCL, during its presentation, acknowledged that it will maintain a strong network. For context, in the Warid Merger order, Jazz held 15,600 sites, of which 3,600 were proposed for decommissioning, and possessed the largest spectrum share at the time (34.44% of the allocated spectrum). Based on these figures, Jazz was considered by the Commission to be in a dominant position.

328. In its Rebuttal dated 25.10.2024, PTCL submitted that *“Infrastructure sharing, as mandated by the Telecom Policy 2015 and encouraged by PTA; and PTCL offering alternatives such as relocation, sale at fair market value, or continued operations at contractual rates, will mitigate any impact on guest operators and other related concerns, if any”*. Moreover, in PTCL Comments, the Applicant has clarified that the consolidated towers of MergeCo will be 17,000 and not 24,000 sites. The figure of 24,000 sites includes both owned and rented sites. PTML and TP will own about ~13,200 sites while the remaining sites ~ 10,800 will be rented from other mobile operators or Tower Companies. It was further submitted that the proposed decommissioning plan is to bring this site count to around 17,000 BTS sites, while ensuring better quality of service and coverage footprint for the mobile customers of respective companies (Ufone & TP). Out of the combined owned 13,200 sites, only 1,200 sites (700 sites of Ufone and 500 sites of TP), a mere 5% of the total sites, are utilized by the guest operators. Of those, only ~ 500 sites, a mere 2% of the total sites, may be affected by the proposed decommissioning.

329. The Commission notes that in the case of decommissioning of sites, the guest operators will be required by MergeCo to vacate existing shared sites. This could create coverage gaps for competitors of MergeCo, potentially prejudicing their position in the relevant market. The gaps that may arise out of the proposed merger are not adequately addressed by the existing infrastructure agreements. This is further exacerbated by the difficulty of setting up new sites due to procedural complexities.¹⁰¹ The Commission also notes that while the Framework for Telecom Infrastructure Sharing, 2023 (FTIS) promotes active and passive sharing as well as neutrality and competition, its recommendatory nature calls

¹⁰¹ Para 127 of Warid Merger order



for continuous oversight from the Commission in the form of enforceable obligations to prevent anti-competitive behavior in the market. PTA shall ensure that competitive dynamics of the market in terms of service provisioning are not adversely affected. A robust regulatory engagement will balance efficiency gains from sites consolidation.



11. EFFICIENCIES

11.1. Efficiency Theory

330. Efficiencies are central to the evaluation of mergers. A merger may enhance competition and foster efficiency and innovation leading to economic development. Section 11(10) of the 2010 Act read with the Regulation 15 of Merger Regulations provide the basis for evaluating the efficiencies claimed by the merger parties. This framework aligns with the accepted global competition and merger assessment processes, particularly those outlined by the European Commission's 2004 Merger Guidelines.

11.2. Legal Test

331. Section 11(10) of the 2010 Act provides as follows:

"(10) If after the second phase review the Commission determines that the intended merger substantially lessens competition by creating or strengthening a dominant position, it may nonetheless approve the transaction, if it is shown that —

(a) it contributes substantially to the efficiency of the production or distribution of goods or to the provision of services;

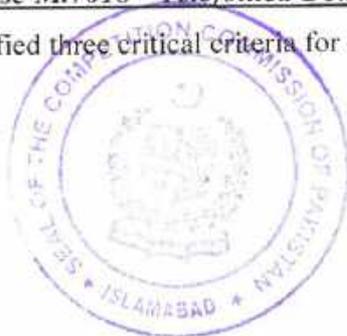
(b) such efficiency could not reasonably have been achieved by a less restrictive means of competition;

(c) the benefits of such efficiency clearly outweigh the adverse effect of the absence or lessening of competition; or

(d) it is the least anti-competitive option for the failing undertaking's assets, when one of the undertakings is faced with actual or imminent financial failure:

Provided that the burden of proof shall lie with the undertaking seeking the approval."

332. In Case M.7018 - Telefónica Deutschland/ E-Plus (2014), European Commission has specified three critical criteria for evaluating efficiencies:



"According to the framework for assessing efficiencies as laid down in recital 29 of the Merger Regulation and the Horizontal Merger Guidelines, the Commission will consider whether any efficiencies brought about by the merger counteract the effects on competition, and in particular the potential harm to consumers that it might otherwise have, as part of its overall assessment of the concentration, provided that those efficiencies are substantiated and satisfy the following three cumulative criteria:

- (a) **Verifiability:** efficiencies have to be verifiable, so that the Commission can be reasonably certain that the efficiencies are likely to materialise and be substantial enough to counteract a merger's potential harm to consumers.*
- (b) **Benefit to consumers:** efficiencies have to benefit consumers, in the sense that they should be substantial and timely and should, in principle, benefit consumers in those relevant markets where it is otherwise likely that competition concerns would occur;*
- (c) **Merger specificity:** efficiencies have to be a direct consequence of the concentration and cannot be achieved to a similar extent by less anticompetitive alternatives;"*

333. *In the matter of Acquisition of 79% Shares of M/S. Agritech Limited By M/S. Fauji Fertilizer Company Ltd (2011) (the Agritech case)*, the Commission observed that "[b]e it incremental cost reduction which may control the incentive to increase prices or leading to new and improved products or the ability of merged firms to conduct research or development which may encourage innovation. The eventual benefit, from the consumers' perspective, is to see whether these efficiencies would result in lower prices, improved quality, enhanced services or new products." The Commission also noted that "...[the parties] has made some unjustified assumptions and then heavily drawn upon them to make sweeping conclusions. For instance, [the parties] emphasized the synergy from merger specific efficiencies without explaining or providing evidence of how those benefits are exclusively merger specific, and how that benefit will transfer to consumers." Accordingly, any efficiency claims must be verifiable by reasonable means and cannot be vague or speculative.



334. In light of the above, it is imperative that the merging parties provide clear and credible evidence demonstrating that the claimed efficiencies are merger-specific and offer tangible benefits to consumers as well as contribute to the overall growth of the relevant market. The merging parties must also demonstrate that the claimed efficiencies cannot be achieved through less restrictive alternatives.

11.3. Submissions of Notifying Parties

Strategic and Economic Rationale

335. The Notifying Parties have provided Strategic and Economic Rationale of the Merger in PART 3A, para 3.2 of the Application and PTCL's Submissions on Efficiencies as a result of the Transaction and subsequent amalgamation of PTML and TP. The Applicant has made the following submissions:

- (a) We acknowledge the Commission's request for a "*detailed justification on each of the relevant markets identified in the pre-merger application in accordance with Regulation 15 of the Merger Control Regulations, 2016, read with Section 11(10) of the Competition Act, 2010, for the assessment of the merger's implications on competition and efficiency.*" However, we respectfully reiterate our submission as stated during the one-to-one hearing held on 5 November 2024, that the assessment of the merger's implications requires a holistic approach, focusing on the overall impact on competition and efficiency rather than isolated evaluations of each relevant market.
- (b) A holistic approach has been adopted by using broader indicators that impact all these markets collectively. These indicators essentially include (i) cellular subscribers, which provide insights into user base dynamics and competition intensity; (ii) revenues, which reflect financial performance and indicate competitiveness and market demand; (iii) other factors/inputs - infrastructure, which evaluates the capacity, expansion, and shared use of telecom infrastructure; and spectrum allocation, a critical resource in provision of services. By examining these indicators, the objective was to provide a comprehensive overview of the merger's impact across these markets, which primarily are confined to mobile operations.
- (c) Efficiencies have emerged as a critical consideration in the evaluation of mergers under antitrust laws globally. The early 2000s marked a pivotal shift with the introduction of guidelines explicitly addressing efficiencies, such as the EU's Horizontal Merger



Guidelines (2004) and the US Horizontal Merger Guidelines (2010). Paragraph 78 of the EU Guidelines states that “[f]or the Commission to take account of efficiency claims in its assessment of the merger and be in a position to reach the conclusion that as a consequence of efficiencies, there are no grounds for declaring the merger to be incompatible with the common market, the efficiencies have to benefit consumers, be merger-specific and be verifiable. These conditions are cumulative.” These guidelines underscore a globally recognized approach to merger assessments (including United Kingdom, European Union and United States), where efficiencies are a key consideration. It is the emphasis on being merger-specific, verifiable, and consumer-benefiting, which reflects a clear framework for ensuring that efficiencies genuinely contribute to competition rather than merely serving as theoretical justifications.

- (d) As highlighted during the public hearings and the Rebuttal, efficiencies in mergers encompass benefits such as cost savings, enhanced innovation, and improved product offerings resulting from the consolidation of two entities. These efficiencies are critical in assessing whether the pro-competitive benefits of a merger can outweigh potential anti-competitive harm. Modern analysis emphasizes optimal resource allocation, cost reductions through economies of scale, and the elimination of double marginalization. In sectors like technology, **dynamic efficiencies**—such as increased innovation and adaptability to evolving consumer needs—are particularly significant. Hence, it needs to be appreciated that the inherently fluid nature of dynamic efficiencies resists quantification or confinement within rigid frameworks, highlighting their evolving role in competitive markets. Instead of strict measurement, the emphasis lies on ensuring that consumer needs and preferences are continually met over time.

(e) MergeCo

It is reiterated that the merger between PTML and TP generates efficiencies that transcend the boundaries of individual markets. In its Guidelines on Horizontal Mergers, the European Commission states at paragraph 77: “The Commission considers any substantial efficiency claim in the overall assessment of the merger.” This indicates that the Commission adopts a comprehensive approach in evaluating efficiencies, considering the entire transaction rather than focusing narrowly on the effects within a specific market. Due to the integrated and platform-based nature of telecom services, efficiencies such as economies of scale, network optimization, and accelerated technology adoption



inherently occur across the entire spectrum of retail and wholesale markets. For example, the combined resources and infrastructure of PTCL and Telenor will not only enhance competition in the retail telecom market by narrowing the gap with market leaders but also drive innovation in 5G deployment, IoT (Internet of Things) services, and digital inclusion initiatives, creating connectivity. These platform-wide efficiencies are reinforced by reference to international practice, where network improvements were recognized as delivering broad benefits across multiple markets. Such efficiencies were acknowledged as enhancing overall consumer welfare through advancements in technological capabilities, even when they could not be narrowly categorized or confined to specific market segments.

- (f) The application of the efficiencies test has been demonstrated in several key cases, with the primary criteria for recognizing efficiencies being their **merger-specificity** and **verifiability**. A notable example is State of New York v. Deutsche Telekom AG et al. (2019), which involved the merger of T-Mobile US and Sprint—the third and fourth largest mobile carriers in the United States. In this case, the merging parties proposed efficiencies that were both significant and directly tied to the merger, including:

(i) **Increased Network Capacity:**

- a. Deutsche Telekom: The combined network was projected to deliver speeds up to 15 times faster than current offerings, enhancing service quality for consumers.
- b. In the case of MergeCo: Consolidated frequencies and contiguous spectrum will increase data speeds from 12 Mbps (PTML) and 8 Mbps (TP) to about _____ Mbps and eventually to _____ Mbps (similar to Jazz and Zong) which represents a _____ improvement.

(ii) **Cost Savings:**

- a. Deutsche Telekom: The merger was expected to achieve \$26 billion in network cost savings and \$17 billion in operating cost savings, reflecting substantial efficiency gains.
- b. In the case of MergeCo:
- **Cost Savings in Marketing**: Optimized marketing efforts are projected to save _____ annually.



- Operational Savings: Decommissioning redundant sites and consolidating spectrum use will reduce production costs, saving approximately annually in overall network cost (about of total network cost).

(iii) 5G Acceleration:

- Deutsche Telekom : The merger would expedite the deployment of 5G services, placing the United States at the forefront of global 5G adoption.
- In the case of MergeCo:
 - 5G Spectrum Auction Readiness (2025): The merger enables the merged entity's possibility to participate in the 2025 NGMS Auction, potentially expediting 5G rollout in the country.
 - Increased Radio Sites: The merger results in a denser radio network, supporting 5G's c-band spectrum needs and allowing faster rollout in viable areas.
 - Accelerates 5G Infrastructure: The merger creates an improved network required for fiber-based backhaul for 5G deployment and meeting government ambitions.

(iv) Coverage Improvements:

- Deutsche Telekom: The merger aimed to expand network coverage significantly, particularly in underserved and rural areas, improving digital inclusion.
- In the case of MergeCo: Expanded Coverage: -sites based MergeCo single grid network will increase the overall coverage by improving access by for PTML customers and for Telenor customers.

(g) Deutsche Telekom highlights how regulators assess whether proposed efficiencies are directly attributable to the merger and capable of delivering verifiable benefits to competition and consumers. The efficiencies demonstrated in this case were integral to the argument for regulatory approval, emphasizing their relevance to the broader market impact.

(h) The efficiencies claimed in the said case are similar to those asserted by the parties



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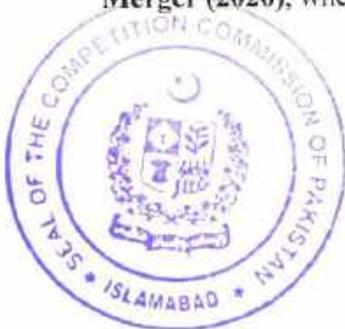
in the present case. While the efficiencies outlined by the parties did not specify the exact markets they would impact, the Court's approach to analyzing the proposed efficiencies is instructive, particularly, its emphasis on the established criteria for the analysis of efficiencies, i.e. of being merger-specific and verifiable. In this case the Court ultimately ruled that:

"Defendants' proposed efficiencies are cognizable and increase the likelihood that the Proposed Merger would enhance competition in the relevant market to the benefit of all consumers".

(i) However, it is important to note that the effects of each efficiency, listed below, which are *prima facie* verifiable, will extend across the entire merged entity, influencing all markets in which it operates:

(i) ARPU Growth –Average Revenue Per User (ARPU) growth is a key industry metric that correlates directly with increased revenues, driving further investment and fostering technological advancements across the sector. A reduction in the number of players would drive ARPU growth, by *inter alia* reducing inefficiencies, optimizing pricing structures, and enabling the merged entity to focus on value-added services. Globally, cases such as the Vodafone/Idea Cellular Merger (India, 2018) have demonstrated that higher ARPU levels support broader infrastructure improvements and innovation, benefiting consumers and businesses alike. Increased ARPU also allows operators to invest in next-generation technologies like 5G and IoT, strengthening competitive positioning. Consequently, growth in ARPU impacts all markets identified in the pre-merger application by promoting sector-wide development and enhancing service offerings. **MergeCo: Post-merger, ARPU is expected to grow by [redacted] with a [redacted] increase in net additions, despite an initial loss of [redacted] SIMs from multi-SIM overlap and migration issues.**

(ii) OPEX/CAPEX Synergy through Decommissioning – Decommissioning redundant sites as part of a merger yields significant operational (OPEX) and capital expenditure (CAPEX) savings, directly impacting the telecom infrastructure market. These efficiencies free up capital for reinvestment in advanced technologies and expanded coverage, as seen in the T-Mobile/Sprint Merger (2020), where site decommissioning reduced costs while accelerating 5G



deployment. Moreover, reduced duplication minimizes environmental impact, aligning with global sustainability goals like the **Paris Agreement**, by lowering greenhouse gas emissions. Such synergies transcend individual markets, benefiting the entire ecosystem in which the merged entity operates. **MergeCo: Decommissioning redundant sites and consolidating spectrum use will reduce production costs, saving approximately annually in OPEX or about of total network cost.**

(iii) Complementary Networks – Integrating complementary networks enhances coverage and infrastructure efficiency, with a direct impact on both rural and urban markets. The combined rural reach of PTML and urban strength of TP creates a unified grid of - sites, which will improve both urban and rural connectivity. This integration not only strengthens competition in underserved areas but also supports efficient resource utilization in the telecom infrastructure market. By optimizing complementary assets, the merger facilitates better service quality and access for consumers nationwide. **MergeCo: Consolidated frequencies and contiguous spectrum will increase data speeds from Mbps (PTML) and Mbps (TP) to about Mbps and eventually to (similar to Jazz and Zong)**

(iv) Improved Customer Experience – Enhanced customer experience is a crucial outcome of the merger, as access to business centers nationwide significantly increases service availability. Globally, cases like the **AT&T/Time Warner Merger (2018)** have shown that improved accessibility and customer service drive growth. For the retail mobile telecommunications market, this improved reach fosters stronger customer relationships and attracts potential users. The resulting increase in customer satisfaction directly impacts market dynamics, reinforcing the competitive position of the merged entity while delivering greater consumer benefits. **MergeCo: A combined physical stores will be available to customers of both brands, improving accessibility.**

(v) Combined Spectrum – Efficient spectrum utilization through the merger aligns with International Telecommunication Union (ITU) practices, emphasizing optimal allocation of this finite resource. Consolidating fragmented spectrum enhances network capacity, speeds, and service quality, as seen in the T-



Mobile/Sprint Merger (2020) in the U.S., where spectrum efficiencies were key to approval. This accelerates 5G rollout, reduces infrastructure duplication, lowers costs, and boosts competitiveness. Similarly, the EU's *Vodafone/Liberty Global (2018)* case highlights how spectrum efficiencies drive innovation, benefiting consumers and advancing the mobile telecom sector. ***MergeCo: Consolidated frequencies and contiguous spectrum will increase data speeds from Mbps (PTML) and Mbps (TP) to about Mbps and eventually to Mbps (similar to Jazz and Zong) which represents a 3x to 4x improvement.***

- (vi) Better Access to Capital – Mergers enhance access to capital, vital for funding telecom infrastructure and innovation. The **AT&T/Time Warner (2018)** merger in the U.S. showcased how financial capacity supports next-generation networks and advanced technologies. This aligns with global goals, such as the UN SDGs, by fostering infrastructure growth and bridging the digital divide. Similarly, the EU's **BT/EE Merger (2016)** demonstrated how capital efficiencies drive 4G expansion, benefiting consumers and boosting market competitiveness. ***MergeCo: The "Weighted Average Cost of Capital (WACC) exceeds the Return on Capital Employed (ROCE) or the Return on Invested Capital (ROIC)" in Pakistan's telecom sector, indicating that current returns on investment are inadequate to support sustainable market operations without consolidation. The telecom industry's capital-intensive nature means that standalone operators cannot meet necessary investment returns. Consolidation is essential for sustaining network upgrades and quality.***

- (vii) Herfindahl-Hirschman Index (HHI): The HHI, a key measure of market concentration, underscores the competitiveness of the telecom sector in pre- and post-merger scenarios. While the proposed merger will increase the HHI to the revenue-based delta of is notably lower than the Mobilink/Warid merger. Jazz's HHI contribution post-merger would be seen dropping from to in terms of revenue and from to in terms of subscribers. This is driven by the narrowing of gap between the market leader (Jazz) and the second player (MergeCo), leading to efficiencies being introduced—such as ARPU growth, spectrum consolidation, and OPEX/CAPEX synergies—which not only dilute Jazz's dominance but also foster enhanced competition, improved consumer choice, and sector-wide



innovation. Without consolidation, declining ARPU and reduced reinvestment levels threaten the viability of standalone operators, emphasizing the merger's critical role in sustaining market growth and enabling rational investments.¹⁰²

336. The economic rationale for this Transaction is centered on the merger of Telenor Pakistan to achieve efficiencies in the Retail Mobile telecommunications market. The Commission may appreciate that Telenor LDI operations are not a significant commercial or efficiency component of this Transaction. Consequently, the efficiencies and economic value derived from the Transaction are largely focused on the Retail Mobile Telecommunications sector. Furthermore, the identified LDI markets will not experience any significant efficiency enhancements as PTCL already holds SMP status in various segments of the LDI market.

337. With respect to efficiencies in each of the relevant market, the Applicant submitted as follows:

(a) **Retail LDI Fixed-line Telecommunication Market** - (Long Distance & International Outgoing voice calls)

338. The Applicant submits that TPLDI holds a share of approximately [redacted] of international outgoing minutes. The Business Plan does not categorize efficiencies by relevant market; rather, the efficiencies identified, which are *prima facie* verifiable, are said to extend across all markets in which the merged entity operates. The acquisition of TP LDI would not require any additional infrastructure for this market, and would result in only an approximate [redacted] change in market share when the shares of PTCL and TP LDI are combined. It has been argued that potential efficiencies, if any, may be attributed to outgoing voice calls generated by Telenor Pakistan's mobile subscriber base. However, as TP LDI has a market share of only [redacted] and PTCL already holds [redacted] there is no direct correlation between mobile subscriber share and the retail LDI fixed-line market. Accordingly, the proposed acquisition of TP LDI by PTCL does not give rise to a significant lessening of competition (SLC), nor does it generate significant efficiencies within this market.

¹⁰² Also see PTCL presentation titled "Merger Impact on Market Concentration" shared on 5 November 2024, pages 18 and 58 of the Pre-Merger Application and page 2 of the Executive Summary.



(b) **Wholesale Domestic Leased Line Market** – (Interconnecting mobile switches, other telecom switches, building etc. within the national boundaries)

339. The Applicant submitted that TP LDI's market share is almost negligible (), as Telenor has not deployed its own OFC network. In the Business Plan, the efficiencies are not categorised in terms of relevant markets, and it is important to note that the effects of each efficiency listed above, which are *prima facie* verifiable, will extend across all markets in which it operates. TP LDI has a negligible share () while PTCL holds around share in this market, and TP LDI does not own fiber infrastructure. Therefore, the consequent acquisition of TP LDI by PTCL does not qualify as a significant lessening of competition (SLC) or as yielding significant efficiencies in this market. However, PTCL's routine future investments in fiberization would enable 5G backhaul infrastructure in the country, which will bring efficiencies in the mobile telecommunications market in general.

(c) **IP Bandwidth Market** - (Provision of Wholesale IP Bandwidth to other operators for voice and data services)

340. The Applicant asserts that as per market intelligence, TP LDI has a negligible share () as it has not deployed its own OFC network and has no submarine cable or landing station. In the Business Plan, the efficiencies are not categorised in terms of relevant markets, and it is important to note that the effects of each efficiency listed above, which are *prima facie* verifiable, will extend across all markets in which it operates. TP LDI has a negligible share () while PTCL has share in this market. TP LDI does not have a cable landing station and does not own fiber infrastructure. PTCL is already serving TP since 2019 and TP is utilizing IPBW from PTCL. Therefore, the consequent acquisition of TP LDI by PTCL does not qualify as a significant lessening of competition (SLC) or as generating significant efficiencies in this market.

(d) **Retail Mobile Telecommunication Market** - (Licensed Mobile Telecommunication Services to Subscribers)

341. The Applicant submits that TP Mobile holds a revenue share of . In its submissions dated 29.10.2024, PTCL listed significant efficiencies to be achieved in this market as a result of the merger. The MergeCo will be less than Jazz in terms of subscriber base;



however, the merger will significantly reduce the revenue share gap between Jazz (the leading operator) and the second operator. Therefore, the Transaction does not qualify as a significant lessening of competition (SLC) rather, competition will be enhanced in this market with significant efficiencies and benefits accruing to customers.

(e) Individual Mobile Interconnection Market

342. The Applicant submits that each operator has 100% share in this market due to the nature of the business. In the business plan, the efficiencies are not categorised in terms of relevant markets; and it is important to note that the effects of each efficiency listed above, which are prima facie verifiable, will extend across all markets in which it operates. All CMOs are providing these services as per PTA determination for Mobile Termination Rates (MTR). However, there will be some benefits to stakeholders in this market segment as explained in the table below:

CMOs	Benefit to Business/Market	Benefit to Consumer
Jazz	Off-net call termination to Jazz from MergeCo will increase considering more space will be available in off-net buckets, hence Jazz business will benefit	Improved user experience
ZONG	Off-net call termination to ZONG from MergeCo will increase considering more space will be available in off-net buckets, hence ZONG business will benefit	Improved user experience
MergeCo	The economies of scale arising from amalgamation/merger of PTML and TP will generate marginal efficiencies; however, the proportionate reduction in revenue (conversion of off-net calls to on-net calls) would neutralize the gain. The overall market will grow as minutes of use will increase considering significant improvement in network and a bigger on-net voice circle.	MergeCo subscribers will benefit from the on-net benefit since their voice circle will now enjoy on-net calling which is usually cheaper than off-net calls. To add to that, usually there is a difference between off-net vs. on-net minutes offered in bundles (On-net are approx. five (05) times higher than off-net). Even in terms of utilization of minutes by consumers, on-net minutes utilization is approx. three (03)

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		times more than off-net minutes.
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343. The Applicant further identified additional factors contributing to efficiencies, namely:

- (a) **BTS Sites (Towers):** Post-merger, MergeCo will manage approximately [redacted] sites ([redacted] of total industry sites), in contrast to the 44%, initially claimed by Jazz. Of these, [redacted] sites are owned and [redacted] are rented, with only [redacted] potentially impacted.
- (b) **Spectrum:** MergeCo's increase in spectrum are proportionate to its subscriber share, which is necessary, in order for it to provide its customers with optimum service quality, yet it remains below global average. The synergies/efficiencies of [redacted] are forecasted during next [redacted] years in Network Cost that were primarily related to Opex/Capex synergies w.r.t. sites and spectrum consolidation.

344. The Applicant submitted that the dynamic and overlapping nature of telecom services necessitates a holistic view of efficiencies, emphasizing the combined value creation for consumers, businesses, and the broader economy, rather than a compartmentalized market-by-market assessment. As demonstrated through international precedents, the focus is on merger-specific and verifiable efficiencies, such as network optimization, spectrum utilization, and capital synergies that deliver tangible benefits across multiple markets. The spillover effects of these efficiencies extend beyond individual market segments, influencing industries and driving overall economic growth. These interconnected impacts highlight the importance of assessing efficiencies collectively, as their cumulative benefits cannot be confined to isolated markets but resonate throughout the broader telecommunications ecosystem and economy.

345. The Commission also required the Applicant to make its submissions to demonstrate that the intended merger satisfies the test laid down in section 11(10) of the 2010 Act read with Regulation 15 of Merger Regulations. The Applicant made the following submissions:

- (a) **The Merger Contributes Substantially to the Efficiency of the Production or Distribution of Goods or to the Provision of Services:**



346. It was contended that the merger would result in measurable revenue growth, with ARPU projected to increase by alongside a rise in net additions, notwithstanding an initial loss of million SIMs due to multi-SIM overlap and migration. The Applicant further submitted that significant cost savings are anticipated through optimized marketing strategies (estimated at annually), consolidation of IT systems and licensing (annually), streamlining of employment (a reduction of in full-time staff with backfilling over two years), and enhanced vendor bargaining power, which is expected to secure reductions in equipment costs and lower borrowing rates by Additional operational savings are projected through the decommissioning of approximately edundant sites and consolidation of spectrum, which together are expected to reduce OPEX by PKR annually, or about

347. The Applicant also emphasized the environmental and social efficiencies arising from the merger. In particular, it submitted that the Transaction would reduce combined annual greenhouse gas emissions by approximately 10%, while integrating the networks of PTML and Telenor would create a unified grid of around sites, expanding overall coverage by and improving access by for PTML customers and for Telenor customers. In terms of network performance, the consolidation of frequencies and contiguous spectrum is expected to raise data speeds from Mbps to Mbps, and eventually to around Mbps, thereby achieving a to fold improvement comparable to competitors. Finally, the Applicant submitted that the combined entity would enhance retail access by providing a network of physical stores nationwide, thereby improving customer reach and accessibility.

(b) The Proposed Efficiencies Could Not have been Achieved through Less Restrictive Competitive Measures:

348. The Applicant has further submitted that the efficiencies claimed could not be realized through less restrictive competitive measures, and that the proposed merger constitutes the most effective and practicable means of achieving such gains. It is emphasized that the merged entity would hold a combined revenue share of approximately which is below the statutory dominance threshold of 40% under the 2010 Act and significantly less than the revenue share of the market leader, Jazz. The Transaction would narrow



the gap between the first and second market players from to thereby diminishing Jazz's relative market dominance and creating a more competitive balance.

349. The Applicant submitted that the Pakistani telecommunications sector faces uniquely adverse conditions, including "one of the lowest ARPUs in the world," a highly burdensome taxation regime, and dollarized investment obligations, which together render existing business models unsustainable without economies of scale. Against this background, the proposed consolidation would allow the merged entity to generate the necessary efficiencies to maintain competitive pricing and profitability, thereby preserving consumer welfare. It contended that the prevailing financial structure, here the Weighted Average Cost of Capital (WACC) exceeds both the Return on Capital Employed (ROCE) and the Return on Invested Capital (ROIC), demonstrates that current returns are inadequate to sustain investment, and consolidation is therefore indispensable.

350. It is further argued that the merger between PTML and TP, being the smallest two operators, carries minimal adverse competitive impact, in contrast to a consolidation involving Jazz or Zong, which would likely diminish competition. The Transaction is presented as a means of preventing further erosion of value and ensuring survival by pooling resources and exploiting operational synergies. Such synergies, it is claimed, are critical for sustaining investment in a capital-intensive industry, maintaining network upgrades, and securing long-term market stability.

351. Finally, the Applicant asserted that the proposed Transaction would contribute to market certainty in light of Telenor's decision to exit and PTML's financial challenges, thereby ensuring continued consumer choice and effective rivalry against Jazz and Zong. The narrowing of the revenue gap is projected to enhance competitive pressure on the market leaders, incentivizing innovation and improved quality of service. In the Applicant's view, no alternative measure short of the proposed merger could deliver comparable efficiencies or secure the financial viability of the parties, making consolidation essential for sustainable competition in Pakistan's telecommunications sector.

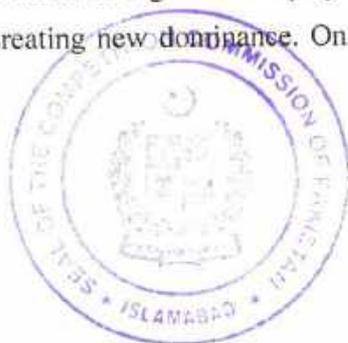
(c) Benefits of the Merger's Efficiencies Clearly Outweigh any Potential Negative Impact from the Reduction or Absence of Competition in the Market:



352. The Applicant has further contended that the benefits arising from the merger-related efficiencies clearly outweigh any potential adverse effects stemming from a reduction, or even absence, of competition in the relevant market. In support of this position, it has been submitted that the merger would strengthen the merged entity's capacity to participate effectively in the upcoming 2025 NGMS (5G) spectrum auction, thereby expediting 5G rollout in Pakistan. The consolidation is expected to result in a denser radio network, which would facilitate the deployment of c-band spectrum and allow for a faster and more viable 5G rollout in targeted areas. It is also emphasized that the Transaction aligns with the objectives of the *Digital Pakistan Policy, 2021*, by enabling the creation of a financially sustainable operator capable of undertaking the significant investments required for digital transformation. Furthermore, it has been argued that the merged entity would be better placed to foster service innovation and to address the rising demand for spectrum, particularly in light of Zong's demonstrated interest in low-band spectrum. According to the Applicant, these efficiencies, including early infrastructure development and service enhancement, would not only meet the Government's stated ambitions for rapid digitalization but also deliver tangible benefits to consumers. Accordingly, it is submitted that the pro-competitive gains flowing from the Transaction significantly outweigh any theoretical risks of reduced competition.

(d) The Merger is the Least Anti-Competitive Solution in Each Market Identified in the Pre-Merger Application:

353. The Applicant submitted that approximately [redacted] of PTML's customers are also TP subscribers, such that the combined subscriber base post-merger is projected at [redacted] million rather than the simple addition of PTML's [redacted] and TP's [redacted]. It further stated that TP's market share has declined from [redacted] to [redacted] over the past year (August 2024), while Zong has grown by 3.5 million customers and PTML by 1.1 million, indicating TP's weakened competitive position and the continued strength of competitors. Post-merger, MergeCo would hold approximately [redacted] market share in cellular subscribers, compared to Jazz at 39% and Zong at 27%. With respect to concentration measures, Jazz contributes [redacted] to the HHI Index, MergeCo [redacted] and Zong [redacted] which, according to the Applicant, reflects Jazz's continued dominance while MergeCo would function as a stronger second player, thereby diluting the market leader's strength rather than creating new dominance. On infrastructure, the Applicant clarifies that MergeCo



will manage approximately _____ sites, or _____ of total industry sites, rather than the 44% initially claimed by Jazz, with 13,200 sites owned and 10,800 rented, and only about 2% (400-500) potentially affected. In terms of spectrum, MergeCo would hold _____ of assigned spectrum, compared with Jazz at 32% and Zong at 30%, which the Applicant submits is proportionate to subscriber share, necessary to provide quality services, and below global averages. With respect to LDI revenues, PTCL acknowledges that there is reported growth by PTCL, from _____ in 2021 to _____ in 2023. However, it may in fact be _____ lower, pending PTA verification, and thus not indicative of dominance. Finally, the Applicant emphasized that MergeCo could leverage Pakistan's total _____ km of long-haul and _____ of metro optical fiber cable, supplemented by _____ km funded under the Universal Service Fund, to extend connectivity to underserved and rural areas. This, it is submitted, will promote digital inclusion, economic development, and access to essential services, while ensuring efficient use of infrastructure and minimizing disruption to existing arrangements.

354. PTCL also shared its Financial Plan wherein it has stated that *“PTCL Group plans to invest more than _____ over the upcoming _____ years, out of which approximately _____ of the total investment relates to Wireless Services and the remaining investment will be available for the MergeCo. CAPEX allocated to the MergeCo is far above the CAPEX investments made in 2013 individually by wireless entities (PTML and TP), even though the Company plans to decommission approximately _____ of the network sites”*.

355. The Commission required PTCL to provide the sources of fund from where PTCL will fund the capital expenditure promised in its Business Plan. PTCL responded vide letter dated 01.08.2025 stating that PTCL and MergeCo, is projected to deliver strong financial performance over the plan period. With an expected EBITDA of _____ and CAPEX requirements of _____ PTCL anticipates generating positive free cash flows of _____ and during this period debt servicing is only ensuring self-sufficiency in funding its capital needs. Moreover, **if there is a need to source additional financing, PTCL will do so in accordance with its internal governance and control procedures as required at the appropriate time.** PTCL also referred to the information already stated in the Business Plan submitted by PTCL dated 29 February 2024, 7 November 2024, 11 April 2025 and on 15th May 2025.



356. The Commission, when inquiring as to whether PTCL was prepared to provide binding commitments regarding the planned investments, was informed that all the investment would be made by following the usual corporate governance processes, which include approval of annual budgets and other necessary Capex approvals. Like all corporate entities, Business plans are firmed up every year through the budget exercise, adjusting for changes in market conditions, macro-economic environment and any new regulatory requirements. PTCL stated that the Group has invested on its own (excluding Ubank and Telenor) in the last 5 years as per PTCL Group's statutory financial statements. Given the above explained operational performance and strong cash flow position, the management is confident that it would be able to obtain the necessary approvals for investments as and when required. PTCL further said that many of the capital expenditures were dollar denominated and therefore the ability to materialise such investments was predicated against the applicable foreign exchange rates at the time of those investments. In principle, *ceteris paribus*, PTCL remains committed to delivering the Business Plan, however this would remain subject to normal business processes and periodic review [Letter *ibid.*].

357. The Commission further inquired about the funding sources for participation in the proposed 5G spectrum auction. PTCL responded that "*currently, there is limited clarity on the terms and conditions of the 5G auction, making it premature to comment on potential amount of investment and its funding sources. Once the auction framework is defined by PTA, a dedicated business case will be developed, based on which the management will assess and determine the appropriate funding strategy...the proposed 5G auction, whilst of national strategic significance, remains dormant. The degree to which PTML or MergeCo may, or may not, participate in the process once it becomes active will be a commercial decision made by the company's Board taking account of the relevant price and contingent terms and conditions, including but not limited to coverage and quality of service obligations. Neither the price nor the terms and conditions are in the public domain at this point in time and therefore no decision can be made.*" [Letter *ibid.*]

358. The Commission also sought clarification as to how PTCL would achieve profitability post-merger, given the reported losses of PTCL, Ufone, and Telenor, and whether Etisalat



intended to inject equity or whether PTCL would resort to bank financing. PTCL clarified that, factually, only PTML had been in losses. PTCL submitted as follows:

“on a YoY basis PTML has reduced its losses from [redacted] (Year 2023) to less than [redacted] (Year 2024) which is [redacted] improvement and is expected to further reduce in year 2025, considering the performance achieved in first half of 2025. Also, company has shown significant turnaround at operating profit level and reported a [redacted] operating profit in year 2024 compared to an operating loss of [redacted] in year 2023. Further company has also reported an operating profit of [redacted] in Q1 2025 representing continuous improvement in its operations.

As far as PTCL is concerned, it has consistently remained profitable in past many years. Despite challenging macroeconomic conditions, PTCL reported net profits of [redacted]

[redacted] in Year 2021, 2022, 2023 and 2024, respectively.

Similarly, Telenor Pakistan remained profitable from 2018 to 2021. The net losses reported in 2022 and 2023 were primarily due to a one-time impairment charge of [redacted] in 2022, coupled with exceptional inflation and sharp currency devaluation in these years. However, the company returned to profitability in 2024.

*Following the merger, the combined entity is expected to generate strong EBITDA, driven by operational synergies and cost efficiencies amounting to [redacted] post-merger over five (05) years. These improvements are anticipated to result in a profitable operation overall, enabling PTCL Group to operate in a profitable manner both in Fixed and Mobile business. Same is evident from strong operating profitability growth in the plan submitted to CCP.” [Letter *ibid.*]*

359. PTCL also clarified that PTCL Group would fund its investments largely from its own operational cash flows. The Business Plan submitted to the CCP does not factor in or require any equity injection from its shareholders. [Letter *ibid.*]

360. Through its letter dated 06.05.2025, the Commission required PTCL to submit a more comprehensive Business Plan, clearly delineating the efficiencies to be created. PTCL



through its letter dated 15.05.2025 shared PTCL Group Investment plan for both wireless and wireline businesses, representing CAPEX area, amount, timescale to be achieved along with resultant efficiencies and benefits to consumers and telecom sector stakeholders supporting Government's initiative of Digital Pakistan.

PTCL Group Investment Plan

(i) Mobile / Wireless Segment:

Mobile/Wireless CAPEX (PKR Billion)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
a. Mobile Broadband Coverage enhancement & Modernization						
b. Mobile Broadband Throughput & Customer Experience						
c. Business Continuity, Resilience & Network availability etc.						
TOTAL						

Note: Apart from above additional investments include following:

1. PTML and Telenor Pakistan's (TP) existing license renewals due in 2029 are additional investments (approximately Mm based on current benchmarks).
2. This Business Plan is exclusive of any 5G spectrum and related CAPEX (as the auction is expected in later part of 2025) and any investment there will be dependent upon the terms and conditions outlined by the GoP and requisite approvals by the PTCL Board.

The details related to all line items in mobile/wireless segment are as under:



a. Mobile Broadband Coverage Enhancement & Modernization (PKR) E

This Capex will go towards integrating the two separate Networks of PTML and Telenor Pakistan as a merged entity (MergeCo) which will enable resultant merged entity to become the one of the most technologically advanced and leading cellular mobile operator in terms of network coverage in Pakistan, benefiting MergeCo consumer base of

Consolidation Network will result in MergeCo's single grid network with . . . -sites, which will increase the overall population coverage for both PTML and TP consumers as per following table outlining the respective pre- and post-merger coverage for each operator by service type.

	PTML	Telenor	Merge Co Estimate
Network Size (Radio Sites)			
Population Coverage (Voice)			
Population Coverage (Data)			

Estimated values from Network Size

On top of the consolidated network of PTML & Telenor Pakistan, further extension of coverage is planned. This would be met by deployment of an estimated new tower sites serving the purpose of densification in urban areas as well as further extending network reach in rural areas. This will result in further increase of population coverage to (w.r.t voice) & (w.r.t data services) respectively.



The delivered consolidated network will employ state-of-the-art technology infrastructure ensuring high performance, scalability, efficiency and reliability while remaining agile in adapting to continuous technological advancements. Furthermore, the modernized network will ensure a smooth evolution towards next-generation telecom services like 5G.

b. Mobile Broadband Throughput & Customer Experience ():

The merger facilitates efficient utilization of spectrum assets held by both parties. With contiguous spectrum holdings across multiple frequency bands (900, 1800 & 2100 MHz), the merged entity will be able to deploy advanced features such as carrier aggregation, resulting in a increase in Data throughput (Data speed) per subscriber.

	PTML	Telenor	MergeCo Estimate
Throughput (Data Speed)			
Increase			

Note: Source for PTML & Telenor throughput is Ookla

Additionally, the sunset of legacy 3G technology-based network enabled by the single-grid migration—will allow refarming of that spectrum for additional 4G network enhancement, further enhancing data speeds and network responsiveness for the MergeCo consumers.

c. Business Continuity, Resilience & Network Availability etc. ():

This investment serves requirements related to network upkeep and maintenance of existing assets. It includes investment for End-of-Life (EoL) management of multiple systems & platforms across Network & IT domains such as replenishment of modernized power systems, solar back up based energy systems, State-of-the-Art IT infrastructure and other similar initiatives to ensure continuous improvement in service assurance and network availability.



(ii) Fixed/ Wireline Segment:

Improved sustainability and increased scale of PTCL Group will allow allocation of extended resources towards other key telecom areas including but not limited to fixed broadband proliferation through fiberization, additional internet capacity through submarine cables, increase digitization through data centres, cloud, IOT, AI and enterprise solutions, facilitating the evolving business needs of the telecom industry in Pakistan.

Fixed/ Wireline CAPEX (PKR Billion)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
a. Fiber penetration Growth (FTTH, FTTS, Corporate)						
b. International Submarine Expansion & Growth						
c. Data Center and Digital Growth						
d. Business Continuity, Resilience & others						
Total						

a. **Fiber Penetration Growth (FTTH, FTTS, Corporate) (PKR _____):**

The merged entity will strengthen PTCL's ability to deliver high-speed fixed connectivity to homes and businesses. The current FTTH footprint of home passes is targeted to grow by _____ annually, reaching _____ home passes within five years. Additionally, PTCL also plans further FTTH expansions through third party infrastructure providers (TIP licensees of PTA) based extended partnership(s) across Pakistan to achieve the ambition of cumulative _____ home passes. This complements the Government's "Digital Pakistan vision" by broadening access to reliable and affordable internet services for domestic consumers and enterprise customers across the country.



Tower Fiberization (FTTS) stands at a critical juncture with respect to 5G infrastructure readiness aiming to significantly expand fibre infrastructure nationwide. In addition, this initiative targets increasing MergeCo's fiberized sites from the current to over the next five years. This transformation will not only resolve existing backhaul bottlenecks but also unlock vital capacity to support the exponential demands of future 5G deployment and sustained digital growth.

b. International Submarine Expansion & Growth :

This investment will support growing demand for international bandwidth capacity through new and existing submarine cables and landing stations. PTCL's participation in the Africa-1 cable consortium exemplifies its commitment to establishing Pakistan as a regional data and connectivity hub.

Additional initiatives include:

- Expanding IP transit to Central Asia and Afghanistan, reducing regional dependency on traditional northbound routes.
- Positioning Pakistan as a digital corridor under the CPEC framework, facilitating cross-border data flows.
- Supporting CDN localization to reduce latency, enhance quality of experience (QoE), and conserve foreign exchange through in-country content delivery.

c. Data Center, Cloud and Digital Growth :

The investment is related to expansion in data center, Cloud and digital growth including AI, IOT. The merged group intends to expand Tier-3 data center and doubling the existing cloud infrastructure, catering to the growing demands of hyperscalers, government clients, and enterprises, through this investment and partnerships/ JVs. This investment will enhance service quality, agility, reduce USD outflows, and promote local hosting across key verticals.



d. **Business Continuity, Resilience & others**

The investment is required to modernize, support and expand business continuity, upgrade IP and Transport Network to meet the growing demands for Retail and Carrier & wholesale business. **These investments will broaden digital access and foster inclusive socioeconomic growth in alignment with national ICT development plans. Upgrades to CRM, cybersecurity and data analytics platforms are also planned. These enhancements will ensure PTCL Group is technologically future-ready, agile, and capable of delivering next-generation services efficiently.**

All the investments will be spent by following the usual governance processes, which include approval of annual budgets and other necessary Capex approvals as required under the authority matrix. Like all corporate entities, business plans are indicative plans which are firmed up every year through the budget exercise, adjusting for changes in market conditions, macro-economic environment, and any new regulatory requirements. However, PTCL Group wants to reiterate that PTCL Group has invested on its own (excluding Ubank and Telenor) in the last five (05) years as per PTCL Groups statutory financial statements.

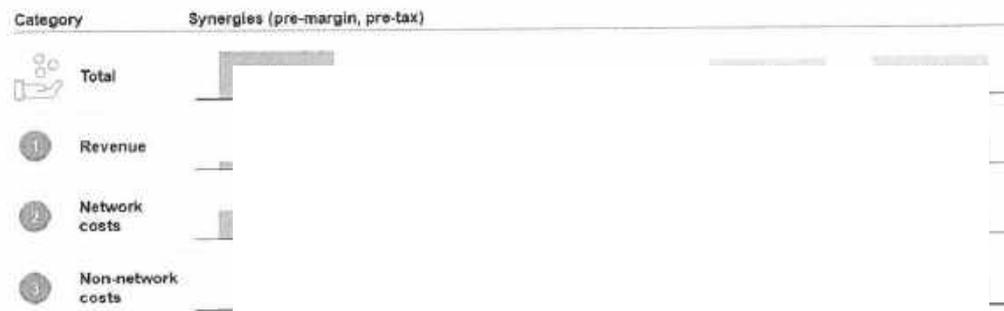
In summary, the proposed merger is expected to result in significant public interest benefits through enhanced service coverage, improved quality of experience, environmental sustainability, and accelerated infrastructure development. It positions Pakistan's telecom sector to meet future digital demands while ensuring long-term affordability and inclusivity for consumers.

Merger Efficiencies: An estimate of efficiencies that will be achieved / created through this proposed merger are reproduced below:



Overview of pre-margin, pre-tax synergies over the next 5 years

Synergy breakdown, USD mn



In its submission dated 14th November 2024, PTCL stated the estimated efficiencies that would result from the merger, which are reproduced in terms of productive and allocative efficiencies as below:

Productive Efficiencies:

- to increases in mobile broadband capacity and download speeds as a consequence of:

- more efficient use of contiguous combined radio spectrum frequencies. This allows MergeCo to compete with the market leader in terms of service offering to the consumer
- increase in overall network with an additional radio sites once the combined radio site portfolio has been optimised. Moreover, the increase in overall population coverage w.r.t voice and data is also provided in the table at Para (i)(a) above.

Innovation as a Consequence of:

- Approval of the merger would enable MergeCo to not only meaningfully participate in the planned 5G auction, but also enhance the country's readiness for 5G services supported not only by the increased cell site numbers but also the increased FTTx investment planned by PTCL which includes fibre to the home, Fiber to site etc., which is essential to be able to realise higher throughput speeds associated with next generation mobile broadband services.
- Increased access to capital which is achieved through MergeCo's improved return on invested capital.



- Counterfactually, in the absence of the merger approval the ability of either standalone PTML or standalone Telenor Pakistan to meaningfully engage in the planned 5G spectrum auction is unlikely to materialise thereby significantly lessening competition in the mobile broadband market.

11.4. Commission's Assessment

361. Having carefully considered the foregoing submissions of the Applicant, the Commission now proceeds to assess the claimed efficiencies in light of the applicable legal standards. As set out at the beginning of this Part, and further reinforced in the Commission's decision in the *Agritech case*, the evaluation of efficiency claims must be undertaken within a rigorous and objective framework. In particular, the *Agritech case* stressed that efficiency claims must be clear, verifiable, and merger-specific, and that only those efficiencies that demonstrably outweigh any potential competitive harm may be considered relevant to the analysis.

362. Moreover, the *Agritech case* cautioned against reliance on unsubstantiated assumptions, unsupported claims of merger-specificity, or efficiency benefits that cannot be reasonably ensured to pass on to consumers. These guiding principles remain central to the present assessment. Accordingly, in applying the statutory criteria under Section 11(10) of the 2010 Act and Regulation 15 of the Merger Regulations, the Commission must carefully scrutinize whether the efficiencies claimed by the Applicant are adequately substantiated, whether they are specific to the proposed Transaction, and whether they are likely to accrue in a manner that benefits consumers and promotes growth and innovation within Pakistan's telecommunications markets.

363. Additionally, the decision in the *Agritech case* highlighted the risks associated with reliance on flawed assumptions, the absence of evidence to substantiate the merger-specific nature of claimed efficiencies, and the lack of adequate mechanisms to ensure that these benefits would be passed on to consumers. These principles are central to the assessment of the proposed Transaction, guiding the application of the criteria under Section 11(10) of the 2010 Act and Regulation 15 of the Merger Regulations, to ensure a balanced and evidence-driven evaluation of the proposed merger's impact on the growth of telecommunication market in Pakistan.



(a) The Merger Contributes Substantially to the Efficiency of the Production or Distribution of Goods or to the Provision of Services:

364. The Applicant submits that the proposed Transaction is likely to generate significant efficiencies, including expanded network coverage, improved service quality, and cost reductions, which are expected to be passed on to consumers. These efficiencies are claimed to align with global trends in telecommunications markets. As noted in *Case No. COMP/M.3916 – T-Mobile Austria/Tele.ring*, “network integration [of the merged entity could lead] to better capacity utilization and would therefore allow the company to achieve increased fixed-cost degression as compared with the pre-merger situation.” Nonetheless, the substantive test applicable to the proposed Transaction is consistent with the observations that to take into account pro-competitive effects under the Merger Regulations, efficiencies must be verifiable, likely to be passed on to consumers and merger specific to the extent that no other practicable less anti-competitive alternatives exist to achieve the same benefits.

Upon evaluation, the Commission finds these claims *prima facie* persuasive. Examples from mature markets, including the U.S., China, Thailand, Malaysia, and Europe, indicate that consolidation can enhance performance and competitiveness under certain conditions. A research on telecom mergers across regions indicates that consolidation is a growing trend. Deloitte has anticipated an increase in in-market telecom mergers, which could enhance efficiency and competitiveness, particularly in Europe.¹⁰³ Similarly, Ericsson has highlighted that the merger of *Total Access Communication and True Corporation* in Thailand, creating a \$20 billion telecom-tech giant is poised to improve industry health and foster innovation.¹⁰⁴ Conversely, a 2016 study, “*Efficiency of Telecommunication Companies in ASEAN: Corporate Mergers & Acquisitions*,”¹⁰⁵ has emphasized that telecom mergers could also negatively impact technical efficiency suggesting that not all consolidations enhance performance.

¹⁰³ [Consolidated telecommunications | Deloitte Insights](#)

¹⁰⁴ [Telecom mergers in Southeast Asia: The Indosat success story](#)

¹⁰⁵ https://www.researchgate.net/publication/311487488_Efficiency_of_Telecommunication_Companies_in_ASEAN_Corporate_Mergers_and_Acquisitions



365. The Applicant asserts that MergeCo's combined network is anticipated to deliver efficiencies benefiting both stakeholders and consumers, primarily through reduced production costs and improved service distribution. Integration of contiguous spectrum frequencies is expected to unlock economies of scale, expand network capacity, and enhance data throughput, thereby improving user experience. The Commission observes, however, that while telecom consolidation may facilitate resource optimization and heightened competitiveness, efficiency gains are not assured. Their realization depends on market dynamics, regulatory conditions, and the strategic execution of the merger, with outcomes varying across jurisdictions.

(b) The Proposed Efficiencies Could Not have been Achieved through Less Restrictive Competitive Measures:

366. The Commission has examined the assertion of the Applicant that the efficiencies anticipated from the proposed Transaction and amalgamation are unique and can only be realized through this arrangement. The Applicant highlights the TP's strategic exit from the region and PTML's operational and financial constraints, arguing that neither entity, if operating independently, could achieve the efficiencies to stabilize the market or strengthen their position in the MNO sector. It is contended that the proposed merger is crucial to attain efficiencies that would otherwise be unattainable by either party alone.

367. The Commission finds the Applicant's assertions to have some merit. The Commission is of the view that the proposed Transaction and amalgamation presents a feasible mechanism for opening up the telecommunication market for future investments, expansion of LTE/4G coverage and introduction of 5G services.

(c) Benefits of the Merger's Efficiencies Clearly Outweigh any Potential Negative Impact from the Reduction or Absence of Competition in the Market:

368. The Applicant submits that the efficiencies anticipated from the proposed Transaction will outweigh any potential adverse effects on competition. It is argued that the Transaction will, *inter alia*, address market inefficiencies, foster innovation, and enhance consumer choice. In this context, the European Commission in case, UPS/TNT Express (2013), observed that the "*relevant benchmark*" in the assessment of efficiency claims is that consumers should be no worse off as a result of the merger. For that purpose,



efficiencies have to be substantial and timely, and should, in principle, benefit consumers in those relevant markets where it is otherwise likely that competition concerns would occur."

369. Having considered the Applicant's submissions, the Commission finds that the claims are partially supported by the principle that efficiencies can justify a merger if they offset the competition harm; are verifiable, merger-specific, and likely to benefit consumers. The Commission emphasizes, however, that such efficiencies must deliver tangible consumer benefits, such as lower prices, improved quality, or enhanced choice, rather than merely benefiting the merged entity.
370. Based on the information gathered and public hearings conducted by the Commission, a number of anti-competitive consequences have been identified, particularly in the LDI and MNO's market. Notwithstanding, the Commission finds it plausible that the proposed Transaction and amalgamation could narrow the gap between market leaders, foster innovation, encourage investment, and enhance competition, ultimately leading to improved service offerings and consumer benefits. The merger may also address structural inefficiencies that, if un-remedied, could otherwise risk in market failure. Accordingly, with an appropriate set of remedies or conditions, the adverse effects on competition may be mitigated.

(d) **The Merger is the Least Anti-Competitive Solution in Each Market Identified in the Pre-Merger Application:**

371. The Applicant submits that the proposed merger represents the least anti-competitive means to achieving the claimed efficiencies. Maintaining the status quo is argued to be unsustainable given TP's strategic exit and PTML's operational and financial constraints. Without the merger, the requisite efficiencies could not be realized, and the market could face further destabilization due to PTML's uncompetitive, sub-scale operations.
372. The Commission has evaluated the claim in light of the established precedent. In *Case No. M.6570 – UPS/TNT Express 2013*, the European Commission reaffirmed that "*efficiencies should be merger specific and it should not be possible for them to be achieved to a similar extent by less anti-competitive alternatives.*" Likewise, in *Case No. M.6497 – Hutchison 3G Austria / Orange Austria 2012*, the European Commission



emphasized that “*efficiencies are taken into consideration provided that there are no other less anti-competitive means to attain the claimed efficiencies. The Horizontal Guidelines require that the alternative must be ‘realistic and attainable.’*” Consistent with the decision in the *Agritech case*, the Commission must carefully assess whether alternative mechanisms, such as network-sharing agreements or joint ventures, could achieve comparable efficiencies with less harm to competition.

373. Considering the capital-intensive nature of the telecommunications sector and relatively low returns on investment, market consolidation is deemed essential for long-term sustainability. The proposed merger is designed to optimize resource utilization, streamline infrastructure investments, and enhance competitive dynamics, while safeguarding consumer choice and avoiding the creation of a dominant market player.

374. The Commission has also carefully examined the Business and Financial Plan submitted by PTCL. The Plan projects cumulative capital expenditure of approximately ,

over a five years, of which . s allocated to wireless and the balance to the MergeCo. It further envisages consolidation of the mobile network into a single site radio grid, addition of new sites, improved population coverage (voice data), spectrum-efficiency gains (x throughput), and significant investment in fixed and wireline infrastructure, including expansion of FTTH, increased fiberization of towers, upto , augmentation of submarine cable capacity, and growth in cloud and data-centre operations. PTCL submits that these investments will be funded primarily through internally generated cash flows, without recourse to equity injections, and that MergeCo is expected to operate profitably on account of synergies and cost efficiencies.

375. While these representations, if realised, could yield merger-specific efficiencies benefitting consumers, the Commission notes that PTCL has expressly conditioned implementation upon: (i) annual corporate budgetary approvals; (ii) prevailing macroeconomic and foreign exchange conditions; (iii) regulatory developments; and (iv) terms of spectrum auctions which remain undefined. PTCL has also refrained from providing binding or enforceable undertakings with respect to the scale, timing, or delivery of the investments described.



376. Given the conditional and non-binding nature of the assurances given by the Applicant in relation to its business and investment plans, the Commission is unable to accord them full weight as credible evidence of merger-specific efficiencies. In the absence of binding commitments, the projected coverage, quality, and capacity improvements remain aspirational and not verifiable for merger clearance purposes. The Commission is concerned that, post-merger, PTCL and MergeCo may defer, dilute, or re-prioritize such projects, notwithstanding that these efficiencies are advanced as a principal justification for the Transaction and amalgamation. The Commission therefore accords limited weight to PTCL's submissions.

11.5. Concluding Remarks

377. The Commission notes that while the Applicant's submissions indicate that the proposed Transaction and amalgamation could generate significant efficiencies, these are neither assured nor independently verifiable in their current form. In assessing the proposed Merger, the Commission applies the principles established in the *Agritech case*, which require that the claimed efficiencies be merger-specific, verifiable, and demonstrably capable of delivering tangible consumer benefits, including lower prices, improved service quality, expanded coverage, and gains from investment, innovation, and product differentiation.

378. Although the projected efficiencies align with global telecommunications trends and appear promising, the Commission must remain vigilant to ensure these efficiencies are fully realized and passed on to consumers in the form of improved services and competitive pricing. The incremental cost reductions, service enhancements, and network improvements, including open and fair access to infrastructure and associated services by the Applicant must translate into actual benefits for the telecommunication users rather than accruing solely to PTCL and MergeCo. Substantial evidence is therefore required to demonstrate that the claimed efficiencies will be realized, are exclusive to the proposed merger and will be passed on to the end-users.

379. The Commission concludes that it is necessary and proportionate to impose behavioural conditions that render PTCL's commitments enforceable and subject to effective monitoring. Accordingly, the claimed efficiencies will be subject to a periodic review by



an independent third party reviewer, whose appointment and functions are outlined in Part 13 of the Order.



12. CONCLUSION AND DECISION

380. Pursuant to its statutory mandate provided in the 2010 Act, the Commission has undertaken a thorough assessment of the proposed Transaction in light of Section 11 of the 2010 Act and the Merger Regulations. The assessment confirms that while the Transaction has the potential to generate efficiencies in terms of improved service quality, enhanced network utilization and reduced costs, it also raises serious competition concerns. Specifically, the consolidation will strengthen PTCL's already dominant position and create a new, highly concentrated player in the mobile market (MergeCo), thereby posing a serious risk of SLC.

381. The Commission notes that the proposed Transaction and the amalgamation of PTML and TP promise substantial efficiencies as set out in Part 11 of this Order, including expanded telecommunication coverage, streamlined operational costs and increased infrastructure investment capacity. Such outcomes are particularly relevant given the sector's structural challenges, including low ARPU, high operational costs and the capital-intensive nature of telecom operations. The consolidation of spectrum resources is also expected to enhance data throughput, improve user experience and contribute to more affordable services.

382. At the same time, the Commission notes with concern that the existing regulatory framework, particularly SMP determinations and RIOs, suffers from weak enforceability. Frequent legal challenges, some initiated by PTCL, delay effective implementation and undermine the regulatory safeguards necessary for competitive neutrality. In this environment, the increased concentration resulting from the proposed Transaction could magnify entry barriers, reduce competitive pressures and ultimately restrict consumer choice and innovation.

383. In arriving at this conclusion, the Commission has taken due account of the concerns expressed by stakeholders, the views and guidance provided by the sector regulator, PTA, as well as the legal challenges raised by PTCL in respect of certain regulatory provisions before the courts. The Commission has approached these matters with care and balance, ensuring that its assessment remains comprehensive, fair, and responsive to the broader regulatory and legal context.



384. Having considered these factors, and recognizing that the claimed efficiencies are persuasive though yet to be realized, the Commission concludes that the Transaction may proceed subject to strict conditions. The Conditions set out in Part 13 of this Order are designed to safeguard competition, ensure non-discriminatory access, and secure that efficiencies are passed on to consumers. Effective monitoring and enforcement by the third-party reviewer, PTA, and the Commission will be essential to ensure compliance and to translate the anticipated benefits into practice.

385. In reaching this decision, the Commission reaffirms its commitment to protecting competitive market structures while supporting sustainable growth and innovation in Pakistan's telecommunications sector.



13. CONDITIONS

386. To ensure due process, the Commission conveyed its Statement of Concerns and proposed conditions to the Applicant in a confidential meeting held on 17.12.2024.
387. The Notifying Parties subsequently submitted their detailed observations, addressing the concerns raised and offering additional information and commitments to mitigate potential anti-competitive effects.
388. The Commission thoroughly reviewed the Conditions in light of the observations raised by PTCL. Thereafter, the Commission shared and discussed a final set of Conditions with the senior management and the legal representative of PTCL and PTML on 24.09.2025. During the meeting, PTCL and PTML showed their willingness to abide by the proposed Conditions.
389. Vide letter dated 24.09.2025, the Commission requested PTCL to provide in writing a commitment to comply with all the following Conditions set out by the Commission:

13.1. Separate Management

- (i) PTCL and MergeCo shall at all times maintain separate board of directors and separate management to ensure independent decision-making.
- (ii) No individual shall simultaneously hold any position, whether as a member of the board of directors, senior management, or key executive function, in both PTCL and MergeCo.
- (iii) Any person who ceases to hold such a position in one entity shall not be eligible to assume a board or management role in the other entity for a minimum period of three years.

13.2. Strategic Leadership

- (i) Etisalat shall ensure that both PTCL and the MergeCo are governed with professional competence and are steered towards sustained profitability over a reasonable period of time as committed in the Business Plan.

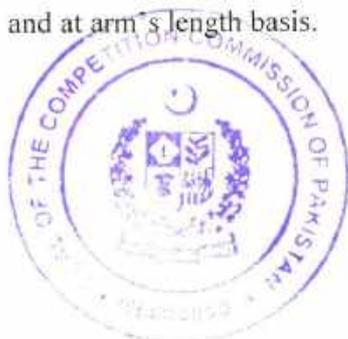


13.3. Criteria for Appointment of Management

- (i) The CEO and the senior management of both PTCL and MergeCo shall possess the following minimum qualifications:
- (a) The CEO shall be a person having demonstrable competence in performing his functions and duties. Competence shall include but is not limited to possessing the relevant qualification/ knowledge, necessary skills and expertise to perform the functions and duties related to the position of CEO.
 - (b) The CEO shall be a person who has extensive experience in telecom and digital industry, and proven turnaround expertise. He shall have strategic vision to steer underperforming enterprise to profitability. He must be a man of impeccable integrity, honesty and reputation.
 - (c) The qualifications and attributes prescribed for the CEO in para (a) shall, *mutatis mutandis*, also be required of the senior management, and shall be duly incorporated into their appointment process and terms of service.
- (ii) The MergeCo Management shall be responsible to deliver the following Key Performance Indicators (KPIs):
- (a) Cost efficiencies
 - (b) Network and services efficiencies
 - (c) Profitability/EBITDA
 - (d) Proposed Efficiencies set out in Part 11 of this Order
- (iii) Etisalat shall review the performance of the senior management against the above listed KPIs and submit a report to the TPR, every six months.

13.4. Related Party Transactions

- (i) The management of PTCL and MergeCo shall be explicitly prohibited from sharing among each other any commercially sensitive information related to the business operations.
- (ii) Both entities shall not enter into any arrangements for the procurement of telecom related services unless such transactions are conducted on a competitive and at arm's length basis.



13.5. Independent Third Party Reviewer (TPR)

A Third-Party Reviewer (TPR) shall be appointed for a period of five years to conduct an independent assessment of the merger's impact on competition in telecom services.

(i) Appointment and Qualifications

- (a) PTCL and MergeCo shall propose at least three names to CCP for appointment of TPR along with the terms and conditions of the appointment within four weeks of the issuance of this Order.
- (b) CCP shall have the discretion to approve or reject the proposed names and to approve the proposed mandate, subject to any modifications, it deems necessary, for the TPR to fulfill its obligations. CCP shall notify the PTCL and MergeCo of its decision within 14 days.
- (c) If CCP rejects all the proposed names for TPR appointment, PTCL and MergeCo shall submit the names of at least two more natural or legal persons within one week of being informed of the rejection.
- (d) The TPR shall possess appropriate qualifications and experience to carry out its function and have sufficient relevant experience, including technical experience in the telecom sector. The TPR shall neither have nor become exposed to a conflict of interest.
- (e) PTCL and MergeCo shall remunerate TPR in a way that does not impede the independent and effective fulfilment of its mandate.
- (f) The TPR must also provide an undertaking to CCP that it has no conflict of interest in being appointed as TPR.
- (g) The TPR shall maintain the confidentiality of any information which it receives in the course of performing functions under this provision and shall not disclose any such information to any third party.

(ii) Functions of TPR

- (a) TPR shall conduct comprehensive audits for PTCL and MergeCo compliance with the Conditions set out in this Order.



- (b) TPR shall review all the minutes of board meetings and relevant committees of the board.
- (c) TPR shall provide its initial compliance report within eight weeks of appointment, followed by quarterly updates to the Commission, summarizing key findings, adherence by PTCL and MergeCo to the merger Conditions, and corrective actions recommended.
- (d) TPR must comply with any directions of the Commission for the purpose of verifying the full and effective compliance with this Order.
- (e) PTCL and MergeCo shall submit details of all related party transactions to TPR for review on quarterly basis.
- (f) If the TPR or the Commission identifies non-compliance, the Commission shall notify PTCL and MergeCo, as may be applicable, and require them to take corrective action within timescale stipulated by the Commission.
- (g) The Commission may, on its own initiative or at the request of PTCL or MergeCo, give any orders or instructions to the TPR in order to ensure compliance with the Conditions in this Order.
- (h) In cases of non-compliance with the Conditions of this Order, the Commission may impose financial penalties, revoke merger approval, or take other appropriate measures under the Competition Act, 2010.

13.6. Separate Accounting

- (i) PTCL and MergeCo shall maintain separate accounts for all segments of its telecom services as per the format to be provided by the Commission.
- (ii) The accounts shall be duly verified by an independent auditor.
- (iii) PTCL and MergeCo shall submit its accounts on quarterly basis to the TPR.

13.7. Procurement via Competitive Process

- (i) PTCL and MergeCo shall adopt a fair and transparent competitive process for all future telecom related procurements, from the date of issuance of this Order.



13.8. Interconnection and Reference Interconnect Offer

- (ii) PTCL and MergeCo shall comply with the Interconnection Guidelines, 2004 (as amended from time to time).
- (iii) PTCL and MergeCo shall not unfairly discriminate among different operators including the MergeCo as to the terms of interconnection.
- (iv) PTCL shall not provide to or obtain services from MergeCo on unfavourable terms and *vice versa*. For example, the Commission has observed that PTCL has been charging higher rates to Ufone for certain services.
- (v) PTCL and MergeCo shall, subject to available capacity, ensure non-discriminatory and fair access to interconnection capacity for all telecom service providers.
- (vi) PTCL shall submit all its existing and future Reference Interconnect Offers (RIO) to PTA for approval. PTCL shall offer interconnection to all operators in accordance with RIO as approved by the PTA.
- (vii) The above condition shall *mutatis mutandis* apply to MergeCo, once the amalgamation is effectuated.
- (viii) Any modification to an existing interconnection agreement signed by PTCL and MergeCo, shall be subject to approval of PTA.
- (ix) PTCL and MergeCo shall offer interconnection on similar terms, to all other operators, as offered to its associated companies/subsidiaries.
- (x) PTCL and MergeCo shall not reduce total number of interconnection circuits allocated to other telecom operators including Local Loop, Long Distance and International, and cellular licensees, without prior approval of PTA. Interconnect capacities and/or their pricing shall not be used in a manner to impede or restrict other operators' access to the customers of the MergeCo.
- (xi) In case of any anti-competitive practices, the aggrieved parties may approach the Commission.

13.9. Infrastructure Sharing and Non-Discriminatory Access

- (i) PTCL and MergeCo shall, subject to available capacity, ensure non-discriminatory and fair access to its infrastructure to all telecom operators.



- (ii) PTCL and MergeCo shall be obligated to share the Infrastructure Sharing Agreements which are already in place at the time of issuance of this Order, with PTA and TPR within forty-five (45) days of issuance of this Order.

13.10. Establishment of Compliance Departments

- (i) PTCL and MergeCo shall designate independent Compliance Departments. The department as designated shall, *inter alia*, be responsible for overseeing compliance with the Conditions imposed by the Commission through this Order.
- (ii) The department will report directly to the dedicated head of the respective Compliance Department, ensuring its autonomy and independence from any other group function.
- (iii) Based on best strategies in competition compliance, the department will develop a comprehensive framework that includes detailed monitoring mechanisms to ensure adherence to the Conditions outlined in this Order.
- (iv) In the event of breach of any Conditions, swift and effective remedies will be implemented to address the violation and restore compliance. This shall include immediate corrective actions and adjustments to ensure ongoing fair competition. A report to this effect shall also be made to the Commission.

13.11. Prohibition on Price Discrimination

- (i) PTCL shall maintain fair, non-discriminatory and reasonable pricing structure for all its telecom services.
- (ii) PTCL shall seek PTA's approval for its wholesale pricing structure in relation to IP Bandwidth services, LDI services, Domestic Leased Lines services and telecom infrastructures services provided to PTA licensees as well as associated companies including MergeCo.
- (iii) PTCL shall not set predatory retail prices.

13.12. Prohibition of Cross-Subsidization

- (i) PTCL and MergeCo shall not cross-subsidize each other in a manner that may distort competition or results in predatory pricing against competitors.



- (ii) PTCL and MergeCo shall maintain transparent pricing structure for their wholesale and retail services.

13.13. Facilitate New MVNOs

- (i) MergeCo shall provide wholesale access to new MVNOs. This access shall include, but not be limited to, network access, call origination, call termination, international roaming for voice/SMS and data services, as well as access to the portability database. This wholesale access to call origination shall be provided on commercially fair and reasonable terms and conditions.

13.14. Spectrum Sharing

- (i) MergeCo shall comply with the Spectrum Sharing Framework, as and when, issued by the Federal Government to promote fair competition and prevent spectrum hoarding.

13.15. Continuation of Existing Contracts

- (i) MergeCo shall continue all existing contracts between TP, TPLDI and other telecom operators, including network sharing agreements as per the agreed terms.
- (ii) MergeCo shall not terminate any of the above contracts, for the unexpired period of the contract or three years, whichever is earlier, from the date of this Order, unless mutually agreed between the parties. This is subject to the fair conduct of the other contractual parties.

13.16. Infrastructure Decommissioning

- (i) PTCL and MergeCo shall obtain PTA's approval for decommissioning or relocation of any of the existing BTS Sites and network infrastructure. Any such decommissioning is strictly subject to PTA's approval. The Commission recommends to PTA to conduct the following decommissioning process:

13.17. Upholding Consumer Protection and Fostering Innovation

- (ii) PTCL and MergeCo shall maintain service quality standards as required under the applicable regulatory framework.



- (iii) PTCL and MergeCo shall pursue policies which will lead to innovation including but not limited to provision of 5G services as claimed in the efficiencies submitted.
- (iv) PTCL and MergeCo shall obtain approval from PTA for any changes in retail tariffs.

13.18. Efficiencies Substantiation

- (v) Post-merger, PTCL and MergeCo are required to substantiate the efficiencies claimed during the merger proceedings and through written commitments, which are set out in Part 11 of this Order.
- (vi) PTCL and MergeCo shall furnish comprehensive verifiable data to TPR and, if required, to the Commission, illustrating how these efficiencies have been passed on to the consumers in the form of competitive pricing, better services, and increased investment in infrastructure including spectrum and/or how the sector is benefitting post-merger.
- (vii) PTCL and MergeCo proposed investment for improving quality of network and services is mandatory. PTCL must implement its proposed Business Plan and report to CCP after its board meeting.

13.19. Divestiture

- (i) Subject to the review of this Order under the 2010 Act, the Commission may, if deemed necessary, direct PTCL to divest its telecom infrastructure or its business.

13.20. Transition Period

- (i) During the transition period from the issuance of this Order and actual amalgamation, all conditions set out above, shall be equally applicable to both PTML and Telenor.



390. Vide letter dated 30.09.2025, PTCL filed its commitment to comply with all the Conditions stipulated in this Order, as follows:

- “(a) PTCL shall fully comply with all the Conditions by the Competition Commission of Pakistan stipulated herein [in this Order], in both letter and spirit.*
- (b) This commitment shall be binding on PTCL, its subsidiaries, affiliates, successors, and assigns.*
- (c) PTCL further acknowledges that any non-compliance with the said Conditions shall constitute a breach of this commitment and may attract such consequences as the Commission considers appropriate under the Competition Act, 2010.”*

391. In case of any anti-competitive conduct in violation of the 2010 Act and the rules and regulations made thereunder, MNOs and other relevant entities may approach the Commission with sufficient evidence and substantiation of the alleged anti-competitive conduct by PTCL and/or MergeCo.

392. The Commission's Conditions outlined above are designed to preserve a competitive market, ensuring that consumers benefit from fair pricing, high-quality services and innovative solutions. By fostering a level playing field, these measures aim to prevent anti-competitive practices and safeguard long-term consumer welfare in line with the principles envisaged under the 2010 Act.

393. Without prejudice to Section 11(14), or any other provision under the 2010 Act and the Merger Regulations hereunder (as amended from time to time), the Commission reserves the right to assess and review the effects of the Transaction on the relevant markets on its own or upon application by any concerned undertaking.

394. Subject to the conditions imposed in this Order, the proposed merger is hereby authorized under Section 31(1)(d)(i) of the 2010 Act.

395. Notwithstanding the above, matters which may, *inter alia*, fall outside the scope of the Commission's jurisdiction under the 2010 Act and the Merger Regulations shall remain subject to applicable laws, judicial orders and regulatory oversight.

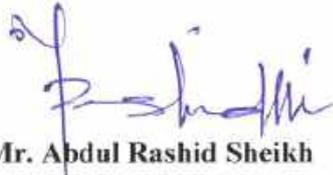


396. In view of the confidentiality attached to certain business information provided by the Applicant and reproduced in this Order, the Registrar to the Commission shall maintain both confidential and public versions of this Order.

397. It is so ordered.


Mr. Salman Amin
Member
(Additional Note)


Dr. Kabir Ahmed Sidhu
Chairman


Mr. Abdul Rashid Sheikh
Member



Islamabad, the 30th Day of September 2025

ADDITIONAL NOTE

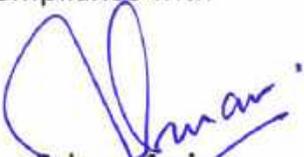
IN THE MATTER OF ACQUISITION OF 100% SHAREHOLDING OF M/S TELENOR PAKISTAN PRIVATE LIMITED AND M/S ORION TOWERS PRIVATE LIMITED BY M/S PAKISTAN TELECOMUNICATION COMPANY LIMITED FROM M/S TELENOR PAKISTAN BV.

CASE REF: 1434/Merger-CCP/2024

Whilst agreeing with my fellow honorable Bench Members in the conclusion and decision arrived at section 12 of the subject Order, this additional note is being made specific to the two conditions in section 13 of the order to have better clarity, transparency and fairness in context of submissions made by the Acquirer (PTCL) in the merger application, subsequent information and during the proceedings held:

- a) In compliance with the condition 13.6 (ii), the independent auditor to be appointed shall be a Chartered Accountant Firm, in category 'A' of the panel of auditors being maintained by State Bank of Pakistan.
- b) The audit report by the audit firm to the Commission for the reporting period shall inter-alia include a separate para expressively and exclusively specifying whether:
 - i. they have obtained reasonable information to form an opinion that the separate accounts prepared reflect true and fair view in due compliance to the reporting framework provided by the Commission under condition 13.6 (i).
 - ii. the related party transactions by PTCL and MergeCo during the reporting period have been arm's length transactions or not, and whether substantial difference, if any, has been observed in this context for the cost of goods and/or services rendered and charged by the associated undertaking(s) for those transactions during the reporting period.
- c) As was pledged by the Acquirer (PTCL) during the proceedings, and in order to ensure open and fair competition in the relevant market(s), PTCL and Mergco shall ensure that necessary investments are timely made in view of the business plan it has submitted to the Commission, so that required capacity is available to enable non-discriminatory and fair access to its infrastructure to ensure compliance with the condition 13.9 (i).




Salman Amin
(Member)