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“The IMPACT OF PRIVATIZATION”


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ABSTRACT

Title: “THE IMPACT OF PRIVATIZATION”


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Objective: The purpose of the thesis is to evaluate the impacts of privatization on Growth, profitability and employment of Pakistan Telecommunication Limited, So that the organization may be able to get the fruitful impacts of this globally recognized phenomenon. In such a situation where privatization is still a matter of suspicion, it will make some positive contribution.

Methods: In our dissertation we have followed the Qualitative method, while our main sources of information are reports, and other published materials i.e. our main dependency during this study remains on Secondary data.

Results: We have compared the privatization of PTCL with the Privatization of Telia. Comparison with the Telia has extracted very useful steps for PTCL. The main result during comparison was adoption of different strategies which Telia has adopted after privatization.

Conclusions: The main conclusions of our study for Pakistan Telecommunication is to enhance its poor quality service, adopt the latest Technology, and focus on Publicity and media campaign in order to coup with the diverse environment of Telecom Sector.

Key Word: Impact of Privatization, PTCL, Telia, Telecommunication, Privatization of PTCL, Telecom Privatization, Comparison between Telia and PTCL.
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LIST OF ABBREVIATIONS

CDMA  
Code Division Multiple Access

CMPAK  
China Mobile Pakistan

DSL  
Digital Subscriber Line

DWDM  
Dense Wavelength Division Multiplexing

FAB  
Frequency Allocation Board

GAAP  
Generally Accepted Accounting Principles

GM  
General Motors

GPRS  
General Packet Radio Service (GPRS)

IAS  
International Accounting Standards

ICT  
Information and Telecommunication Technology

IMF  
International Monetary Fund

MCB  
Muslim Commercial Bank

MMS  
Multimedia Messaging Service

NTC  
National Telecommunication Company
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>NTT</td>
<td>Nippon Telephone and Telegraph</td>
</tr>
<tr>
<td>NWD</td>
<td>Nation Wide Dialing</td>
</tr>
<tr>
<td>NWFP</td>
<td>North West Frontier Province</td>
</tr>
<tr>
<td>PTA</td>
<td>Pakistan Telecommunication Authority</td>
</tr>
<tr>
<td>PTC</td>
<td>Pakistan Telecommunication Corporation</td>
</tr>
<tr>
<td>PTCL</td>
<td>Pakistan Telecommunication Company Limited</td>
</tr>
<tr>
<td>SIP</td>
<td>Share Issue Privatization</td>
</tr>
<tr>
<td>SOEs</td>
<td>State Owned Enterprises</td>
</tr>
<tr>
<td>STD</td>
<td>Subscriber Trunk Dialing</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, Weakness, Opportunity, Threats</td>
</tr>
<tr>
<td>T &amp; T</td>
<td>Telephone and Telegraph</td>
</tr>
<tr>
<td>TOT</td>
<td>Telephone Organization of Thailand</td>
</tr>
<tr>
<td>TSS</td>
<td>Telenor Smart Service</td>
</tr>
<tr>
<td>VSS</td>
<td>Voluntary Separation Scheme</td>
</tr>
<tr>
<td>WLL</td>
<td>Wireless Local Loop</td>
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</table>
1. INTRODUCTION

1.1 Research Background

In 2006 Pakistan has brokered one of the country biggest deal of privatization i.e. 26% Management Share of Country largest telecommunication company limited (PTCL) been sold out for some about US$ 2.6 billion to a Dubai based Telecom Company Eitsalat. Pakistan Telecommunication Company Limited is the country largest and sole telecommunication company providing the services to each and every corner of the country (The News, 2006). PTCL was one of the Pakistan profits earning Telecom Company. After getting Privatized PTCL is losing its base as its subscription declined from 5.12 million to 4.40 million in 2008. While the revenue declined from Rupees 69085 million in 2006 to RS. 61,085 million in 2008. Similarly the Profit after tax in 2006 was some about Rs 20777 million while in 2008 there is a loss of Rs. 2825 million. The financial statement shows a continuous growth till 2006 while after privatization the company is facing severe financial shortcomings (PTCL. limited).

“Privatization is the transfer of enterprise ownership- in whole or in part- from the state to private hands, also called denationalization” (Savas, 2000).

Privatization is the global Phenomenon of twenty first Century which is mainly concerned with the selling out of governments owned enterprises to the general public or perspective investors. This process dates back to Great Britain where it starts in the late 1970s. Till the end of 20th century the global worth of privatization is estimated at around US$1110 billion.

Privatization also contributed towards capitalisation of financial markets, as it is estimated some about US$3.31trn (Bortolotti, Fantini, & Siniscalco, 2004).

However, the massive privatization experienced after the fall of communism and former Soviet Union where some about 75000 medium and large sized enterprises have been privatized with estimated worth of US$735bn. The developing economies of the world have adopted that process as phobia and each and every country now busy while privatizing their strategic and non strategic Industries (Bortolotti, et al., 2004). Even china having the socialist system of governance and constitution has privatized their thousands of public bodies to the private sector(Wood).(The basic motive behind privatization is enhancing efficiency, revenues and quality).
Privatization has been experienced in different sectors, but one sector is specifically important in this regard that is telecommunications sector which is mainly involved in the process of privatization or in other words we can say that Telecommunication sector is the pioneer of Privatization Process. The process of privatization in telecom sector dates back to 1981 when the British Government for the first time in the history of telecom announced to sell the British Telecom. The next telecom sold out in 1984 and this time the Japanese government sold out one-third of Nippon telephone and Telegraph (NTT). This process gets further momentum in 1989, this time three privatization attempts were made. Up till 1985, the total number of cases reported was 23 in which 15 cases were accepted while the remaining eight were rejected (Molano, 1997).

Privatization of Telecommunication always remains controversial due to its developmental and political role, its role in economic activity and employment and all these factors contribute towards its importance. That’s why Telecommunication is the main focus of this study. Even some of the controversies over the privatization of state owned Telecom Companies have toppled some governments like the fall of Misotakis and Alfonsin governments in Greece and Argentina respectively (Molano, 1997).

Telecommunication industry has two main characteristics, technological innovation and externality (the economic impact of a transaction on a group or party that is not directly involved in the transaction externality may be positive or negative) due to these characteristics telecommunication industry is unique in its nature.

As Telecom sector always played an important role in employment so it give in-depth information about the developmental Priorities of the country (Molano, 1997). Due to variation in nature of telecom sector we consider it as the prime factor for this study.

1.2. Problem Discussion

After discussing the background of privatization we are going to focus on Privatization and Re-regulation process in Pakistan where our main destination is Pakistan Telecommunication Limited. What we can learn from the Pakistani experience?, and how we can compare it with the similar experiences in the rest of the world? In order to find the answer of these questions we need to look into the history of privatization Process in Pakistan and then evaluate its impacts on performance and development, as discussed in background that the main motive of privatization is to improve efficiency, and quality of the service and this are the motives of each and every individual or organization these are the reasons why we have specific interest
in evaluating Performance and development of PTCL of Pakistan Telecommunication. The evaluation of Performance and development of PTCL is important because it can lay down a solid path for other organization also. In Pakistan the practice of privatization was initiated in the late 1980s. But it gets its full momentum in 1991 when parliament approved the “Protection of the economic Reforms Ordinance 1991” the government also constituted a separate body “Privatization Commission of Pakistan” in order to make the privatization process further comprehensive (Bokhari, 1998).

Since then Pakistan have made privatization of some of about PK Rs. 120 billion in the first period i.e. 1992—94 and some about PK Rs. 65 billion in the second round i.e.2001-2002. As far as the impacts of Privatization is concerned in Pakistani context it is not as per expectations the following table showing the Overall Productivity performance of various privatized firms after Privatization.

it is clearly indicated in the Table 1.1 that privatization process is not delivering what is expected from it (as we have discussed that the main expectation from privatization are efficiency, quality and profitability) (Khan, 2001).

<table>
<thead>
<tr>
<th></th>
<th>Better</th>
<th>Same</th>
<th>worse</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PME*</td>
<td>9</td>
<td>13</td>
<td>16</td>
<td>38</td>
</tr>
<tr>
<td>Misc</td>
<td>3</td>
<td>10</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Ghee</td>
<td>2</td>
<td>12</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Mills</td>
<td>2</td>
<td>-</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Rice Mills</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Banks</td>
<td>18</td>
<td>37</td>
<td>28</td>
<td>83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>44</strong></td>
<td><strong>34</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Table 1.1:** Source: Dr. Akhtar Hassan Khan

PME*: Public Manufacturing Enterprises

Note: (The Performance of the firms measured on the basis of overall performance i.e. growth, Profitability etc)

After the privatization of PTCL and controversy at privatization of Pakistan Steel Mills and the intervention of Supreme Court, where the Supreme Court of Pakistan issue a verdict against the privatization of Steel Mill, the whole process of Privatization is losing base, and need to be evaluated more closely and critically (The News, 2006, MCB Bank Limited).
1.3. Research Question
What is the impact of Privatization on PTCL Performance and Development?

1.4. Research Methodology
The purpose of this study involves the understanding of the after privatization performance of organization; like competition (government want to create competition to reduce the prices and to improve the quality of products/services and to bring innovation and technological change), profitability (this the main purpose of doing business), growth (Boston Matrix show that if the growth is slow down it means that either the market is mature or products/services quality is not satisfactory to attract customer) and the overall strategic achievements(if firm is able to compete in the market with high technologically equipped firm, the operation of the firm is profitable and is continue serving with growth then government succeed in its purpose of privatization ). The most suitable situation for this case is the qualitative study. Qualitative approach is used when the basic purpose of the study is to understand and gain insights (Ghauri & Grønhaug, 2005, p. 202), this method is used when the purpose of the study is to create understanding of certain phenomenon this is more flexible method and its results are rich and descriptive (Johansson, p. 28).

There are two basic types of data secondary and primary, Secondary Data is data collected by someone for some other studies and Primary Data is the data that is collected for the current study (Johansson). "A case study often involves data collection through multiple sources such as verbal reports, interviews and observation are primary data sources" (Benbasat, Goldstein, & Mead, 1987; Ghauri & Grønhaug, 2005, pp. 114,115). Beside this, case studies also involves data collection through sources like financial statements, data that existed in archives, budget and operating reports, competition and marketing report (Benbasat, et al., 1987; Ghauri & Grønhaug, 2005, pp. 114,115).

So keeping in view the overall scenario of our study which is basically a case study, we will adopt Qualitative method with emphasis on secondary data. A detailed discussion regarding our research approach will be further discussed in Research methodology chapter.

1.4.1. Literature
There are many books and articles written on privatization of telecom sector that we will use to develop our understanding about privatization and the performance of organization and also to compare the results of our study with other telecom company such as Swedish Telia.
1.4.2. Archival Records
PTCL has a long history of operation till its privatization and a three year history of operation after privatization so for the study of its performance before and after we can use the information that is existed in form of reports, financial statement, meeting report, and other statistical data archived in PTCL and PTA. Beside this PTA publish reports for each quarter about competition and number of customer etc. for all telecom operator, which portray current market and growth structure of the telecom operator. Privatization Commission of Pakistan also provides report about companies that has privatized. Beside these there are reports generated by state Bank of Pakistan, IMF and World Bank. To study the market structure and competition (horizontal analysis of any organization) we will also review financial statement and performance and marketing reports of different telecom companies operating in the market of Pakistan; to see if other companies in the market are growing and increasing its customer and revenue then why PTCL is in decline.

1.4.3. Internet Sources
We will also use internet sources to be able to get some information from different website that are concerned with the Pakistani telecom sector and online newspapers to be up to date on the latest data and development.

1.4.4. Interviews
It is very difficult to conduct interviews from here firstly because of the distance and secondly due the time limitation of this dissertation, although we have tried our best to conduct some interviews from PTCL but it was not possible, however through discussion we have managed some relevant information. Regarding PTCL, a PTCL employee Muhammad Rizwan contributed a lot and regarding Telia the discussion with Mr. Benno Engstrom (Projektledare BTH) was extremely purposeful.

1.4.5. SWOT and Porter’s Analysis
The basic tool we will follow for analysis will be the SWOT and Porter analysis, which will give in-depth information about the internal and external environment of PTCL, and will also help us in formulating our suggestions for future strategies of PTCL.

1.5. Research Aim & Objectives
The purpose of this study is to evaluate the privatization process of PTCL and its impacts on performance and development i.e.

- Impact on growth
• Impact on profitability
• Impact on competition
• Impact on employment
2. PRIVATIZATION & TELECOM RE-REGULATION

2.1. Privatization

“Privatization is broadly defined as the deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents” (Megginson & Netter, 2001). Boubakri, et al. define Privatization as “the sale of state-owned enterprises (SOEs) to the private sector” this is used as a global trend and the objective is to reduce the responsibility of the government as dominant actor in the economy, and to create opportunity for in active private sector (Boubakri, Cosset, & Guedhami, 2009).

2.2. Privatization Trends

In the past decade privatization has grown immensely in numbers and value. The ratio of privatization in the beginning of 1980s was very low because the governments of the world were not much familiar with the idea but in the late of 1990s the phenomenon gets momentum and its global proceeds was estimated to some about US$850 billion. The major bulk of that process happened in the developed world (Kikeri, et al., 2002).

Privatization also spread to the developing world. In 1988, some about 28 transactions were reported in this regard. But by mid 1990s that process was getting momentum and reached some about 1000 transactions per annum worth some about $70(US) billion. In developing world that process first initiated from Latin America, with a privatization valuing some about $20 billion. Up to date some about seventy five percent of Latin America and Caribbean have adopted privatization as their main economic policy.
The East Asian countries embraced privatization as their main economic policy since 1991. The major countries who adopted privatization were China, Thailand, Malaysia and Indonesia. The news from Africa and Middle East was as per expectation. In Africa the total worth of privatization until 1997 was some about $2.5 billion where the traditional Monarchy and dictatorial governments of Middle East did not opted for privatization at all. Privatization in South Asia region was not comprehensive as the countries were more conservative and sensitive about their traditional public enterprise system. The worth of privatization declined in 1993 to US$974 million as compared to $1.6 billion in 1992. India remains top of the list as compare to other countries of the region (Sader, 1995).

**Figure 2.2: Privatization Proceeds by Region. 1990-2000 (US$ billions)**

The major chunk of privatization are coming from infrastructure sector while infrastructure sector mainly dominated by the privatization telecommunication sector privatization. The table below will further elaborate the picture about privatization regarding sector wise.
2.3. Why Privatization

In order to enhance efficiency and to reduce the financial burden of masses the Governments throughout the world are privatizing their enterprises. Apart from few exceptional cases the performance of state owned enterprises are not up to the expectation, while the efforts made to bring some reforms in such organization are fruitless. Considering all these reasons majority of the governments are mainly involved in this process of Privatization even the Public utilities which are formerly considered as the strategic Assets of any government for example water, power, ports and steel etc (Kikeri, Nellis, & Shirley, 1992).

The countries all over the world have privatized their firms, in every sector of production, and services. Mainly this process takes place in Europe and Former Soviet Union, where some about 75000 medium and large sized firms have been privatized. While thousands of small business units have been privatized (Kikeri, et al., 1992).

Privatization is considered a policy instrument that adds some value to an organization. Governments adopt privatization as reform policy for achieving various objectives, i.e. macroeconomic and fiscal (Kikeri, et al., 1992).

As private sector plays an important role in economic gains and poverty alleviation, if privatization is implemented in its true forms than its contributions to efficiency, growth and investment are overwhelming (Kikeri, et al., 1992).

In many cases privatization play an important role in establishment and growth of new private enterprises. In this regard we can learn from the experience of Korea which indicates...
very comprehensive results regarding high growth of private sector. While in the same fashion Privatization has played an important role in establishment of new dynamic Private enterprises in the rest of the world (Kikeri, et al., 1992).

2.4. Determinants of Privatization

2.4.1. Political Preferences
It is generally known that privatization has political motives. Generally Conservative Political parties are more active regarding privatization process than liberal political parties. The Role of right wing political leader in this context is significant for example just considers about the Thatcher’s government in the UK which is one of the conservative right wing leaders but her contribution towards privatization is really significant. The reason behind the contribution of market oriented politicians may be due to gaining votes from the masses, where two parties always have focus on several issues to attract voters of different background and classes. For example the conservative always wants to focus and get the support of investor, entrepreneurs and middle class by offering those opportunities. Their manifesto during the election based on the claims that by allocating proper shares to the masses will make the middle class of the society in their favor. While the massive privatization can give them the support of large business tycoons which are always interested in maximization of their financial assets and also consider very influential in society (Bortolotti, et al., 2004).

2.4.2. Hard Budget Constraints
Another important determinant for privatization is budgetary conditions, if the government is in financial stress, then they have no way except to speed up the privatization and get vital financial resources. Privatization often considers as an important tool for structural adjustment and stabilization of Public finance in the following ways. It helps in reduction of expenditures in shape of subsidies to the ailing state owned enterprises. The amount generated through privatization is mainly utilized in reduction of Public debts.

Privatization also contribute indirectly by giving signals regarding government investment friendly policies, which enhance the credit rating for government bonds, moreover helps in low interest payments and make an easy access to the capital markets in order to recover budget deficits (Bortolotti, et al., 2004).

2.4.3. Legal Origins
Moreover the legal origins of the countries are also an important determinant of privatization. The countries following French civil law tradition have higher state owned enterprise sector
as compare to common law countries. The statistics regarding SOE value-added and SOE Investment is 11% for common law countries while this ratio is 15% for countries following French civil law tradition. Politicians in French civil law countries are reluctant to the privatization as they do not want to lose their control on state owned enterprises. Similarly the policies regarding investor protection and corporate governance also vary around the world and different countries have different legal positions. The common law countries have created very strong legal grounds for protection to the investors, because strong legalization directly contributes towards corporate governance. While In French law countries such legalization are rare (Bortolotti, et al., 2004).

2.4.4. Stock Market Liquidity
The important element of financial development is market liquidity. Liquidity is very important because it brings diversification. If there is a liquid stock market then it will favor the absorption of big issues, and increasing the chances of further growth in other words we may say that higher stock market liquidity is brings higher privatization revenues (Bortolotti, et al., 2004).

2.4.5. Competition and Efficiency
Competition and efficiency are important determinants of privatization and both are interconnected in many cases. Competition contributes towards monitoring which greatly contribute towards efficiency. Moreover Competition pave the way for innovation by inducting new technologies, by expanding operations competition providing huge opportunities of employment and more enhanced fringe benefits as compared to state owned organizations. The lack of competition always leads to mismanagement, which in turns give rise to low quality of goods and services. In order to establish a healthy competition the governments needs to minimize state intervention, remove all the legal barriers to entry, trade protection etc. If the state is fair in promoting competition it always provide equal opportunities of investment to the local and foreign investors which always give rise to enhancement in quality of goods and services (Vickers & Yarrow, 1991).

2.5. Privatization Techniques

2.5.1. Asset Sales
In Asset Sales privatization the government sold out the enterprises to existing private firm or to a group of investors. It depends upon the government to sell its share in fraction or in whole in Asset Sales privatization, the traditional method of such privatization is auction, but
government may sometime sold out its enterprises directly to the investors (Megginson, Nash, Netter, & Poulsen, 2004).

2.5.2. Share-issue privatizations
The Share-issue privatization (SIPs), in this way the government sells equity shares in the public capital market which open to retailer and investor. This method is the most significant method of privatization in terms of size and also one of the most economical way of privatization (Megginson, et al., 2004).

2.5.3. Voucher privatizations
The Voucher privatization is similar to SIPs Privatization, in such privatization the share are open to the masses, these Voucher normally free or very low cost and are open to all masses, in other words we may say that it is another kind of SIPs offered at low price (Megginson, et al., 2004).

2.6. Telecom Re-regulation
‘The telecommunications sector has proved to be an integral part of both economic and social development throughout the world. This represents a significant proportion of world trade in services. The telecommunications sector is one of the most dynamic sectors in terms of technological innovations and induction of liberal policy environment. The situation is same for Pakistan where telecom sector is experiencing frequent changes in terms of induction of new technology and introduction of new policies like liberalization and re-regulation of telecom sector’ (Akhtar & Waqar, 2004). Early development in the telecommunication sector took place in the 1980s(Wellenius & Stern, 1994). Beginning from the developed economies telecommunication sector reforms soon spread to the other globally growing economies. Up till 1993, robust growth & development in this sector has been reported in at least 15 developing countries around the globe. Still telecommunication reforms are moving with a pace in all over the world but the scope and growth rate of one country is different from that of another, and development level varies among different region of the world. Below are some important steps undertaken by developing countries for development and re-structuring of telecom sector (Ibid).

2.6.1. Latin America
Development reforms in the telecommunication sector get popularity in Latin America in the late 1980s. Starting from Chile, where privatization of state owned telecommunication companies took place in 1987. Argentina adopts such practice in 1990 and Venezuela was
next who implemented privatization in 1991. By 1993, same reforms was initially proposed and partially implemented in Bolivia, Ecuador, Panarna, Peru and Uruguay. Rest of the countries of Latin America including Brazil, El Salvador, Honduras, Nicaragua and other countries have also taken serious steps in this regard. (Ibid.,)

2.6.2. Asia
Innovation and establishment of telecom reform in Asia is relatively low. Malaysia was perhaps the pioneer, who introduced and implemented corporatization in 1982 which was gradually converted into partial privatization in 1990. Same phenomenon becomes active in Indonesia in 1990 too. India implemented concept of partial decentralization in 1985 while China was perhaps the first country in Asia to fully adopt and implement Decentralization policy in 1988 (Ibid.,)

Many other countries are now taking initiative towards privatization. Pakistan is gradually shifting its paradigm from nationalized into privatized economy. The complete privatization of Pakistan telecommunication Limited is the mile stone in this regard. Other emerging economies of Asia including Sri Lanka and Fiji have taken initiative to reorganize telecommunication sector in 1990, Thailand government has privatized its Telecommunication company TOT, whereas Philippines is serious about expanding its development level outside the urban areas and thus maximizing competition to support growth rate & boost development level (Ibid.,)

2.6.3. Africa
African countries are recognized as the least developed countries of the world and likewise whole African region is under developed. It is deemed necessary to implement structural changes in the African region to lead it on the way of development and progress. As a result of such efforts, Sub-Saharan African countries are progressing and there is a development in the telecommunication sector of these countries and this sector is gradually turning into better practice by increasing its capacity to reach the customers and fulfill the increasing requirements of telecommunication needs.(Ibid.,)

Although, situation is developing better in Africa but still there is lack of proactive approach thus most of countries are lagging behind & hesitating to implement privatizations. Nevertheless, privatization of telecommunication sector is being considered by Guinea and other African countries are showing positive attitude towards privatization initiative due to its viable importance in the development & progress (Ibid.,)
2.7. Special Issues of Telecom Reforms in Developing Countries

Developing nations have realized the ample importance of privatization reforms in the development level and progress of a country. It is experienced that efficiency gains can be quickly met by adopting privatization policy and that such initiative would lead a country towards technological innovation and resulted in high growth rate in the long run. One of the reason of privatization is increased competition in which each organization tends to improve its management and provision of better services become necessary that leads to innovation and development. (Ibid.,)

Notwithstanding, telecommunication sector experienced some unique difficulties. Such problems should be overcome in order to derive the positive effects. Following are the major hurdles hampering progress of Telecommunication Sector (Ibid.,)

2.7.1. Incomplete Infrastructure

Infrastructure plays a vital role in the progress and development of any sector. As a general notion, developing nations face a bigger problem with incomplete or inefficient telecommunication infrastructure (Ibid).

In fact, existing telecommunication facilities in most of developing countries is either of insufficient capacity or outdated. So it is important to extend the circle of telecommunication services countrywide by installation of new technology and by broadening the range of telecommunication facilities available even in the rural areas of the country. It is argued that there is a need to restructure the currently operating companies in order to satisfy and fulfill the increasing demands and to meet the standard growth targets (Ibid).

2.7.2. Scarce Human Resources

Literacy rate is a good indicator of a country development level because education plays a vital role in the progress of a society. It is deemed that there is a limited number of education professionals in most under developed countries. Developing Countries are not only lacking the competent telecommunication engineers & technicians but also there is a shortage of other business professionals like Managers, Accountants and Computer Specialists that are considered as key personnel to run a telecommunication organization. (Ibid.,)

Another point against telecommunication sector reforms is due to the reason that even so developing countries are lacking well education professionals hence they can’t employ more percentage of qualified scholars in a particular sector like telecommunication at the cost of other sectors. This means that developing countries has to assign the limited number of
technicians, engineers and other professionals to each of its sectors, telecommunication sector is one of them. Aforementioned shortages limit the range of sector designs that are viable, especially in the least developed countries of sub-Saharan Africa and some parts of Asia (Ibid.,)

2.7.3. Paucity of Information
Another problem with telecommunication sector is that there is no more operating information available about this particular sector. It is a common notion in under developed countries that Accounts are usually not maintained according to the IAS (International Accounting Standards) & GAAP (Generally Accepted Accounting Principles) (Ibid.)

Another problem faced by telecommunication sector is that financial statement are either audited on irregular basis or even in some extreme cases never audited. Hence information about liabilities especially about due debt is not reliable. Further information about assets like plant, Network utilization, telephone connections & other importance assets is outdated & always remains incomplete due to less availability about operating history. Such fallacies in the practice prove to be a hurdle in the way of progress of telecommunication sector development (Ibid.)

2.7.4. Undeveloped Local Capital Markets
Another problem with telecommunication sector of underdeveloped countries is poorly established local capital markets. Only a few developing countries are able to manage well established local capital markets. Otherwise, in majority of the countries stock markets are either operating in a small context or even nonexistent in some cases. Further other companies including insurance & leasing which can utilize the savings of the people toward development of the industrial sector are rare to find. (Ibid.,)

Developing countries are facing a big issue with the provision of big industrial companies and because mostly rich families tend to make investment in those countries where they reveal more profitability so such companies demand high rate of return on their underlying investment. There is also a shortage of available financing in developing countries. Provision of debt is either not available or only available on complex terms & conditions. Microfinance facilities are unreliable & most importantly expensive to meet due to high interest rate levied on the debt. In nutshell, the market efficiency of developing countries tends to low and market system to effectively use the savings in large investments required by telecommunication sector is rare to find. (Ibid.,)
2.7.5. Weak Legal, Regulatory, and Institutional Framework

Another important big problem among developing countries is the presence of weak legal, regulatory and institutional framework. Poor progress of institutions tends to place a negative effect on the country development level & hampers growth rate. Many of these countries are paying attention to such reform that would bring about revolution in the hierarchy of the institutions & would lead to a competitive work place & open economy (Ibid.,)

Weak legal, regulatory framework includes poor enforcement of property rules and regulations, inadequate and outdated trade laws. Likewise, telecommunication law in underdeveloped countries is outdated and old enough and in some other cases there is no presence of proper telecommunication law but instead telecommunication law is merged with law governing to some other sector with which it may not resembles in reality. Such a weak regulatory and institutional system is a big problem in the way of progress of telecommunication companies (Ibid.,).

2.7.6. Limited Interest of Foreign Investors and Banks

Foreign investment is believed to be a viable source of development and growth of a country. Though a number of developing countries are now taking initiative to call for private investment in the telecommunication sector including foreign investment but yet such reforms are rare in practice because only a few investors would give attention to such proposal.(Ibid.,)

Foreign companies are hesitant to invest in these countries due to increasing level of political risk and uncertainty. Although multinational companies are doing investment in most of the developing companies but either these companies are doing investment in their own subsidiaries or in a very small amount that is not enough for establishment of a big telecommunication set up. Above all, presence of commercial banks in developing countries is relatively low and these banks are hesitant to offer loan facilities without external guarantee or personal collateral and are misused by political pressure (Ibid.,).

2.8. The Impact of Privatization

The properly planned privatization process has given fruitful results, such success stories one can find in many countries of Latin America, Asia and Africa. As per analysis by world bank Privatization contributed towards social welfare in eleven of twelve cases, productivity improves in nine of the twelve cases, while remains stable in the remaining three. Similarly due to privatization investment and quality of Production enhances which give rise to rapid
growth, the experience of Chilean telecom privatization is a clear story in these regards, where its capacity become double in the first four year after privatization (Kikeri, et al., 1992).

By looking at various stake holders of privatization the results are quite hopeful for example looking at the labor, by taking into account all forced discharge from jobs, labor as whole gained also from this process as a result of better fringe benefits and other facilities. The situation regarding consumers is not worse in majority cases. Buyers of the enterprises also gained profits. The studies beside the World Bank also shows healthy results in these regards, where some statistics about some forty one firms shows the data of return on sales etc increased due to better utilization of resources. (Ibid.,)

Mostly the success stories regarding privatization are from developed countries. As it is very difficult to induct the same setting in developing countries, although the developing countries are also involved in this process and some privatized firms have given positive outcome in this regard but the overall output is low. (Ibid.,).
3. RESEARCH METHODOLOGY

Every dissertation must include three parts; the very first is planning & choosing one’s research topic/area of study, 2nd & indispensible part is collection and gathering of relevant information, which plays a vital role for writing a good thesis project. Last part of the thesis is to analyze the collected information and on the basis of this analysis we are assumed to present our comments and present our own theories (Hartman, 2004)

Several methods are available in order to collect the relevant data for the purpose of doing research. Certain data gathering method depends upon the nature of task we have to perform.

3.1. Scientific Methods

Two types of methods are used for doing research on some underlying task. These are quantitative method & qualitative method. It depends upon the nature of the task and the preference of the researcher to use either one of these methods or a hybrid of both can be put together in order to achieve the desired goal. (Flick, 2006)

3.1.1. Qualitative Method

The qualitative method can be described as “Qualitative research involves an interpretative, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of or to interpret phenomena in terms of the meanings people bring to them” (Flick, 2006).

“Qualitative research is about producing and analyzing texts, such as transcripts of interviews or field notes”(Flick, 2006).

Qualitative approach is taken from, existing documents and observations (Miles & Huberman, 1994 cited in Flick, 2006) but this type of research deals with different ideas but the most important objective is to search meaning and interpretations. (Widerberg, 2002)

3.1.2. Quantitative Method

On the contrary to the qualitative method, the method which aims to investigate the complete solution of an underlying phenomenon with the help of numbers, graphs, tables & other statistical tools is called quantitative approach. (Hartman, 2004) This approach is mainly applied on a large group of people/population thus it is referred as more objective in nature while on the other hand qualitative research is done on the small population (Sample) and thus is said to be more subjective in nature (Denscombe, 2000). A significant attribute of
quantitative approach is that it is measureable, observable and also it can be manipulated. (Hartman, 2004)

Although both methods are different in nature but this doesn´t mean that while doing research both methods can´t be used. “Quantitative and qualitative approaches should not be separated, even if they are being explained separately” (Flick, 2006). In fact & in practice, both the methods are used by the researcher in order to arrive at a significant result. (Johannessen & Tufte, 2002)

3.2. Methods of Research
In practice, qualitative research is characterized by the case study method. This means the researcher pursuing qualitative method put more emphasize on the case study. Case study is the English translation of the Latin work “Casus” (Johannessen & Tufte, 2002). The purpose of the case study is to get access to “the precise description or reconstruction of a case” (Flick, 2006).

3.3. Different Inspection Methods
The word “theory” and “practice” has different implications in literature but in reality there is an important relationship between both the words. The word theory is adapted from the Greek work “theoria” and is defined as “a formal statement of the rules on which a subject of study is based on or of ideas which are suggested to explain a fact or event” (Cambridge advanced Learner’s Dictionary, 2003).

In order to inspect our research question, there are two types of methods available. These are inductive method and deductive method. (Ibid)

The inductive method, based on the observation, one would present a theory about some certain phenomenon. In other words, inductive method is used to develop a general conclusion & then announce such results into theory and law. A distinguishing feature of inductive method is that presented theory or result is based upon the facts and data collected from the real life. (Wallen, 1996).

On the contrary to induction method, there comes deductive method. In this approach, instead of start from one’s personal observation one must follow a specific theory. So in order to inspect a certain task, researcher is bound to use a theory. Then we test the theory with the reality in practice. The hypothesis is developed based on assumptions & is thereafter investigated to arrive at solution. If the hypothesis is true then the theory is accepted
otherwise theory is rejected. A salient characteristic is that deductive approach is to draw conclusions about the described phenomena. (Patel & Davidsson, 1994)

3.4. Data Collection
Collecting data has the main emphasis on answering of any research question. So based on that significance there are two ways used to collect the data which are Primary data and secondary data (Ghauri & Grønhaug, 2005)

The positivism of secondary data is that it better help to answer the question but also provide the brief understanding in explaining the research objective and such data is collected from the article, journals, books, government, web information, catalogue and semi-government organizations. (Ibid)

The other aspect is the empirical studies when one got saturated in finding any research related data he used empirical study which is termed as primary data. This sort of data is collected through observations, communication and experiments. (Ibid)

Our study that relates to the qualitative method so respondents ‘attitude and behavior to certain scenarios can be only observed with face to face interviews, but due to distance and time limitation we were not able to have a face to face interview, In order to cover that we have some fruitful discussion with PTCL employee Mr. Muhammad Rizwan and with Mr. Benno Engstrom here.

3.4.1. Primary Data
Primary data and Secondary data have their emphasized on Research Methods of Business Studies as they overcome each other in absence of one. Figure given bellow represents the rely on primary data where secondary data may not completely fit into the scope of the research. (Ibid)
3.4.2. Secondary Data

According to (Ghauri & Gronhaug, 2005) Secondary data is the fundamental source to find answer and to investigate an underlying task. Secondary data can be collected from journals, articles, research papers, magazines, statistics reports, catalogues and books and provides the researcher ample information with the help of published material (Ghauri & Grønhaug, 2005).

Use of secondary data provides a broad range of benefits including time saving, money saving, quality of data used (because data collected by the governments and research oriented organizations is reliable due to enthusiastic efforts made by the experts). Another benefit of secondary data is as mentioned “Do not bypass secondary data. Begin with secondary data, and only when the secondary data are exhausted or show diminishing returns, proceeds to primary data” (Ibid). Secondary data can be divided into two types.

We are mainly dependent on Secondary data during our thesis as access to primary data was not possible due to time limitation.

3.4.3. Internal Data

Internal data is that we can get from the internal sources of an organization for example from Annual Reports, Analyses or Research reports of an enterprise. (Ibid)

Regarding our thesis we have received some internal data from PTCL Employee Muhammad Rizwan which have contributed to the PTCL Chapter of our dissertation.
3.4.4. External Data
External data is collected from the outside sources. Hence in its nature external data is independent of an organization. Figure 3.2 provides a solid background about the secondary data. (Ibid)

![Diagram of Data Sources](image)

Figure 3.2: Source: (Ghauri & Grønhaug, 2005)

As far as External Data is concerned, there is a huge data available from external sources like books, journal, Articles, research reports and online sources about Privatization in general and Privatization in Telecom, and we get the most relevant information for our thesis from External data.

3.5. Discussion
Discussion with people familiar with an industry is also an important factor while collecting data and Information. In this regard we arrange a meeting with one of the renowned telecom personality Mr. Benno Engström, discussion regarding telecom industry with Benno contribute some twisting angles regarding the telecommunication sector in general and Telia in Particular.

3.6. Literature Review

3.6.1. Introduction of Theoretical Sources
Here we are doing a qualitative research in order to look into the impacts of Privatization on various aspects of Pakistan Telecommunication Company and to compare it with one of the leading Telecommunication Company Swedish Telia in order to suggest some fruitful ways and means for the future of the PTCL. In order to look closely into the performance of Pakistan Telecommunication Company we have selected literature regarding growth,
Profitability of the organization. In this regard, we have selected relevant materials, articles, books, Annual reports, and various archival records in order to get the core issue of the impacts of Privatization on PTCL.

Furthermore, to determine the impacts of Privatization on PTCL, we have adopted the SWOT Analysis and Porter Analysis as basic tools to know about the internal and external environment of the organization.

3.6.2. SWOT Analysis
The term SWOT stands for Strength, weaknesses, Opportunities, and Threats, which gives the indications about the internal and external environment of an organization. (Kaufman, 2003)

In other words, we can say:

Strength: By looking at the strengths of an organization, we can always look into the future strategies and implementation. (Ibid)

Weaknesses: Alongside strength, each organization also has some weaknesses. By looking into the weaknesses of an organization, one can know what are the major internal drawbacks of the organization, i.e., weakness in resources or cultural hindrances, etc., of the organization that are creating a hurdle in achieving the objectives of the organization. (Ibid)

Opportunities: By realizing and evaluating future opportunities and adapting strategies to rip those opportunities. (Ibid)

Threats: Any organization operating in the production sector or services sector faces the threats from the external environment also, in order to cope with all those circumstances, the analysis of threats is very important. We can further elaborate it with the following matrix:

![SWOT Matrix](http://www.quickmba.com/strategy/swot/)

Figure 3.3: Source: http://www.quickmba.com/strategy/swot/
In strategic Planning process SWOT play an important role, the role of SWOT analysis is crucial in determination of strategies for an organization, or individual. A SWOT analysis is a kind of analysis of internal and external environment of an organization (Ibid). The SWOT analysis includes various data gathering methods i.e.

- Stake holder Analysis
- Competitor analysis
- Environmental scanning
- Scenario analysis

The main objective of the SWOT analysis is to determine proper strategies for the organization in order to achieve the various objectives of an organization at micro and macro level. SWOT analysis give indications about various factors that can influence the future outcome of the organization. (Ibid)

While looking into the Story of Pakistan telecommunication limited we will adapt SWOT analysis to determine the impacts of Privatization on this sole Telecommunication Company of the country. (Ibid)

**3.6.3. Porter’s Five Forces**

“A frame work developed by Michael Porter that captures the dynamics of the prevailing environmental forces in which a company operates”(Argenti, 2002). These factors can be explained in better way by the help of the following diagram

![Figure 3.4: Source: (Porter, 2008)](image-url)
This is the combination of five forces which must be considered while analyzing any Industry.

For Instance the rivalry always cast its impacts on Profitability, if the rivalry among the industry is intense, than the profitability is low, if the firms wants to avoid price wars than they need to reconcile, for instance take an industry which is comprising of firms large and small firms, small firms mainly adopt low prices to get his share in the market, on the contrary the larger firms also decrease their prices.

Bargaining power of suppliers and customers is the second important force, while evaluating any industry. The innovation of technology especially in the telecom sector has given the opportunities to the customer to bargain as per their expectation, the innovation of technology in mobile phones is an example in this regards. The induction of new features in mobile always gives a strong bargaining power to customers and suppliers.

The threat of substitutes is also a vital force while evaluating about an industry. The Induction of Internet in the advertising have a large adverse impacts on the Advertising of electronic and print media or just consider the example of online shopping which have totally transformed the traditional method of shopping.

The last force regarding porter model is the entry barrier, where firm faces various barrier while entering the market. For example we can look into the example of American Auto market where the intense rivalry has made it impossible for the new one to enter the market and established a brand like GM or Ford (Mishra, S.).

So while keeping in view the above forces we need to look into the matters of PTCL Privatization and its impacts.

3.7. Limitations

There is a huge archival record regarding privatization is available, in order to remains focus in such an extensive material available is one of the biggest challenge.

The important base of our study mainly depend upon secondary data that is the data which is published in articles, books and journals, while access to the internal data of the organization is always remains not possible because mainly the organization avoid to give information about the internal operations in the name of privacy.
While access to internal data in developing countries like Pakistan is always considered a sensitive issue and the un-cooperative behavior of the executive regarding research activities is always a big hurdle in conducting a research.
4. PAKISTAN TELECOMMUNICATION (PTCL)

4.1. History of PTCL

History of telecommunication starts after the control of British government on Indian subcontinent in 1950s, when British government for the first time introduces post and telegraphs services (Bel, 2005). When Pakistan came into being the name was changed to "Pakistan post & telegraph Department" in 1947. As time passed and new technology developed communication system has also developed. So in 1962 telephone and telegraph department was established and Pakistan post was declared as separate department (uz Zaman, Hashim, & Awan). Telephone & Telegraph department has converted to Telecommunication Corporation in 1991 under Pakistan Telecommunication Corporation (PTC) ordinance of 1991 (Choudhary, Khan, Abbas, & Salman, 2008).

With Pakistan Telecommunication Corporation Ordinance 1991 government open the way for private competition and start awarding licenses for cellular phone and card operated pay phones. With this liberalization 1991 government of Pakistan decided to privatized PTC and use voucher method in 1994 for privatization that later were convertible to shares, total number of voucher was six million that were equal to 600 million shares at the rate Rs. 10 per share. The telecom sector was liberalized but PTCL was still the monopolist of the land line telephone services. In 1996 "Pakistan Telecommunication Company" was formed and declared the monopoly for the basic telephony of the country with "Pakistan Telecommunication (reorganization) Act 1996" (Choudhary, et al., 2008), the same year the company has been listed on all stock markets in Pakistan (uz Zaman, et al.).

In 2001 PTCL open two subsidiaries for mobile phone service and for internet services called Ufone and PakNet respectively (ibid). PakNet was not that affective and dissolved later, the recent DSL services are being directly supervised and operated by PTCL (PTCL Internal Report). While Ufone is continue competing in the mobile market and is able increasing its market share and is the second largest cellular operator (PTCL, subsidiary; PTA, Cellular Subscriber). In 2003 PTCL monopoly comes to an end when government decided to completely liberalize the telecommunication industry. In 2006 the company was completely privatize when government sold its 26% management share to Etisalat (Choudhary, et al., 2008).
4.2. Reforms & Expansion of Pakistan Telecommunication Sector

Major development of the communication system comes up with the technological changes, innovation in wired and wireless communication technology and the use of the coaxial and optical fiber, IC and computer, submarine cables and satellite radio. Telecommunication in Pakistan has also passed through all these stages and technological changes.

The growth of Pakistan’s telecom sector can be evidently divided into four distinct periods (Choudhary, et al., 2008). First, Telephone and Telegraph Department (T&T) era from (1962-1990), second, the conversion of T&T into Pakistan Telecommunication Corporation (PTC), third, change of PTC into Pakistan Telecommunications Company Limited (PTCL) and forth, the entry of mobile and value added telecom and IT services provider. From the guideline and market perspective this timeline can be alienated into three phases. First, the monopoly phase (1947-1996), second, starting of competition (1996-2002) and third, complete competition phase (2002-onwards) when competition existed in all sectors and segments of IT& Telecom.(ibid)

When Pakistan got independence in 1947 there was post and telegraph department inherited from British government the department has got a new name called "Pakistan post and telegraph". In 1959 under the order of Railways and communication minister a detailed study was made of the operation of both branches of the P & T Department so that to make improvement where needed. Form the detailed study it was realized that, the department must be bifurcated to improved the delivery of the services. The decision got the support of operation and management wing of the presidential secretariat and the decision was approved by the cabinet and "Pakistan Telephone & Telegraph department” was established in 1962. In 1967 government made a request to World Bank for "International Development Association” credit, in response to that World Bank ask Pakistan for reorganization in 1968. Consultant was hired to study the department, after the comprehensive study the report was send to General Ayub (the Chief Martial Law Administrator) in 1969. In 1973 after the approval of the Cabinet a board was setup to control and administer the working of T & T department. The World Bank and the Government of Pakistan have long discussion regarding the issue during 1973 till 1979, on the bases of which president of Pakistan issued an order on May 30th 1979, the order enhance the power of Director General T & T by giving him both administrative and fiscal authority by appointing a Financial Advisor(PTCL Internal Report).

Due to the greater pressure on T & T for telephone line and accompanying services some improvement has been made, but it was clear that the services provided by the telecom sector was not enough for the greater need of the economy. For these greater needs and due the pressure from Word Bank it was decided through an ordinance on December 15th 1990 to create autonomous body called "Pakistan Telecommunications Corporation”. The creation of Telecommunication Corporation was a part of the liberalization strategy, the restructuring of the telecom sector for private participation and
increased competition was the requirement of the economic growth, and also because government was not able to finance such a huge investment. The services of a consortium leading by Bear Steams from USA were used to go ahead with restructuring process; the consortium made a study and gave their recommendation which results in "telecommunication Ordinance of July 1995" while the policy making, regulation and operation in the sector was handed over to Pakistan Telecommunication Authority (PTA) (PTCL Internal Report). A new board was created called "Frequency Allocation Board" and "Pakistan Wireless Board" was dissolved, FAB was made responsible for the management of radio frequency spectrum; FAB has the right to assign radio frequency to government as well as public and private organization. “National Telecommunication Corporation” has the right to provide services to Pakistan army, defense organization, and federal and provincial government agencies. Under the ordinance of July 1995, "Pakistan Telecommunication Corporation" was transformed to "Pakistan Telecommunication Company limited" in 31th December 1995. The Ordinance of 1995 was replaced by an Act in October 1996 called "Reorganization Act" this Act provide the base for organization and structure of the sector. As predicted in the Act PTA and FAB with the help of World Bank Project are expected to achieve the objectives (Joseph Wilson 2007; PTCL Internal Report).

With the structural changes the services were also developed with time, serious efforts were made after the conversion of T & T Dept. to Corporation to deal with pending demands and provide telephone connection to applicants as soon as possible. The corporation in coordination with private sector increases the capacity of exchanges to 429,023 lines in 1994 while the number for 1993 was 359,981 lines using build lease and transfer scheme. The capacity was further increased in 2003 to more the 4 million lines, a 3.6 million increase since 1991 (PTCL Internal Report).

In 1950 the capacity of circuits was increased for long distance telephone services with the reconstruction of open-wire line and with a huge number of 3 and 12 channel carrier systems. In 1948 the carrier channel mileage was 8500 that has increased to 206,873 by 1962. Every technological innovation has effect on Pakistan telecom sector so in 1960 coaxial cable system was introduced to further increase circuit capacity. In late 1970 "Radio Relay System" was applied on both main and secondary routes. The "Coaxial Cable System" and "Radio Relay System" help to introduce point to point "Subscriber Trunk Dialing" (STD) 1962 and "Nation Wide Dialing" in 1976. All the big 50 cities of the country has been provided with NWD facility in 1981. Station with NWD facility was increased to 168 locations and the number of channel to 10487 till 1990. In 2003 around 1986 station were in use of NWD facility (PTCL, Internal Report). After the Re-regulation in December 2003 which ends the monopoly of the PTCL many new operators enter in the market, new technology enters the market. Mobile operator now providing MMS, GPRS services, and internet facility, Telenor networks has TV facility on mobile (Telenor Smart Services). After privatization in 2006 PTCL start
internet facility on telephone line, DSL internet services, Smart TV (PTCL, Company Profile). Following is the table of historical stages of Pakistan telecom.

### Historical Background of Pakistan Telecom

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>Post &amp; Telegraph Dept established</td>
</tr>
<tr>
<td>1962</td>
<td>Pakistan Telegraph &amp; Telephone Dept</td>
</tr>
</tbody>
</table>
| 1990-91 | Pakistan Telecom Corporation  
ALIS: 850,000  
Waiting lists: 900,000. Expansion program of 900,000 lines initiated (500,000 lines by private sector participation & 400,000 lines PTC/GOP own resources) |
| 1994 | Entrance of Mobilink |
| 1995 | About 5% of PTC assets transferred to PTA, FAB & NTC |
| 1996 | PTCL formed listed on all stock exchanges of Pakistan |
| 1998 | Mobile & internet subsidiaries established |
| 2000 | Telecom policy finalized |
| 2003 | Telecom deregulation policy announced |
| 2005 | Entrance of Telenor & Warid telecom |
| 2006 | Privatization of PTCL |

Table 4.1: Source: Choudhary et al.

#### 4.3. Privatization

In December 1990 "Pakistan Telecommunication Corporation" was established to replace the "Pakistan Telephone and Telegraph Department". In 1991 government of Pakistan show its intention for the privatization of PTC to meet the need of the country and also for esteem growth of economy. A consortium was hired for this purpose to see the feasibility and on the bases of his report government decided to sell out the 26% share capital with management rights and to convert it to limited company (PTCL, Internal Report). As decided in the "privatization session of 1991-1992" 12% share of Pakistan Telecommunication have been divested during 1994 (Choudhary, et al., 2008; Kemal, 1999). One million exchangeable vouchers has been issued in august 1994 these were equal to 100 million shares each has a value of Rs 10. In September 1994 five million vouchers has been issued to international
investors. The value of these issues were $900 million from international and Rs.3 billion from domestic issue while the values of the voucher in first and second issues were Rs.3000 and 5500 respectively. While the issues of 26 % management share was still a controversy, the Government was continue with its mission by issuing Notes with 150 million US dollar worth to international investor in 1997. The Notes were convertible to fully paid "A" class ordinary shares of PTCL and these were 3.3 % of the total share capital issued. In august 1997 foreign receivable has been securitized successfully obtaining 250 million US dollar to GOP. In 1995 a new financial advisor was hired by Privatization commission for the implementation of strategic sale (26% management shares) but the new governments suspended the services of the financial advisor (Deutsche Morgan Grenfell), and in 1998 hire the M/S Goldman Sachs International to provide advisory services on PTCL privatization (PTCL, Internal Report).

The Financial Advisor (Goldman Sachs International) has start working and established a data room at the head quarter of PTCL where all possible information that is related to PTCL were available to facilitate the team. Government approved the proposed policy and decided to complete the Re-regulation by December 2003, major steps has been taken on legal and regulatory measures, PTA granted license to PTML (Ufone) and proposed DSI regulation for tariff and licensing has also been accepted (PTCL, Internal Report).

At last in April 2006 control of the Pakistan Telecommunication corporation was handed over to Etisalat(UAE based company), Etisalat assume the control of the company by paying 2.6 billion US dollar to buy 26% share with management right in PTCL. With the control of PTCL Etisalat also assume the control of Ufone, one the top class mobile service provider subsidiary of PTCL (PTCL subsidiary)

This privatization has bring in great technological change and innovation, as we can now connect to internet through mobile from all around the country, telenor is providing TV coverage, MMS and GPRS are the services available on all the mobile operator(Telenor Smart Services).

PTCL also signed a contract with Emaar to provide information and telecommunication technology services to household in Karachi and Islamabad. After this agreement PTCL is the only services provider that offer ICT to two big project of Emaar Pakistan, every household and office will be connected through fiber optics (PTCL, PTCL signed contract with Emaar).
4.3.1. Subscribers Growth & Improvements in Teledensity

The raise in the number of telecom service subscribers can be linked with the convenience of service and with the growth in the teledensity. Expansion of fixed line subscribers (200,000-300,000)/year were projected on the bases of construction of new residential dwelling units, new shops for small businesses and registration of new businesses with the Corporate Law Authority (Choudhary, et al., 2008).

Figure 4.1: Source. Choudhary, et. al.

The subscriber growth and teledensity rate was insufficient before PTC era. Switching T&T into PTC and then to PTCL helped the fixed network development, and increase in teledensity. With the introduction of Competition in fixed and mobile line has major impact on the users and the teledensity. The projection by Choudhary, et. al. pointed towards the teledensity which was continue to increase for the next 10 years and will reach to its peak up to 2018. At the same time, the growth in internet, WLL technologies broadband and investment in telecommunication sector will also increase with the slow pace for the next 10 years.(Choudhary, et al., 2008)
But the figure available on PTA website shows that there is a decline in the fixed line services from 2006 to 2009. This is just in wired line connection but the wireless local loop has an increasing trend in its teledensity and also subscribers.

![Graph showing teledensity trends](image)

**Figure 4.3: Source: PTA, Fixed line Subscriber**

4.3.2. **Telecom Services Tariff**
The Re-regulation process of Pakistan telecom has positive effects; people now enjoy more choices, greater access to value added services at cheaper prices. The intensive competition in all parts of telecom sector has momentous decrease in the tariffs of different telecom services. The complete overview of the tariff reduction is presented in the following table.(uz Zaman, et al.)
4.3.3. Impact on Competition

With the privatization and Re-regulation of PTCL, many Competitors have entered in Pakistani market. Paktel and Instaphone were entered in Pakistan telecom industry in 1990 and in 1994 Mobilink started its function. In 2001, Ufone, a supplementary part of PTCL entered in the market and in 2005 both Warid and Telenor one by one started their services (Uz Zaman, et al.). From the year 2000 there is tremendous increase in the cellular users. Mobilink is the largest cellular company with the highest number of users, compare to Ufone. Currently 79% population in Punjab have mobile phones, 75% in Sindh, 34% in Baluchistan, 63% in N.W.F.P. and overall 73.3% of population in Pakistan enjoying this facility (Uz Zaman, et al.).

Zong (previously Paktel) has great share in the cellular market. Latest data from PTA shows that Telenor rise to number two and Warid telecom is becoming more popular and capturing market share with the high pace as compare to other traditional rivals. Within 4 year of time Telenor has reached to the second largest cellular mobile company after Mobilink with subscribers of approx. 19 million (PTA, Cellular subscriber).
## Cellular Subscribers

<table>
<thead>
<tr>
<th>Year</th>
<th>Provider</th>
<th>% age</th>
<th>Ufone/PTCL</th>
<th>% age</th>
<th>Paktel/Zong</th>
<th>% age</th>
<th>Istanphone</th>
<th>% age</th>
<th>Telenor</th>
<th>% age</th>
<th>Warid</th>
<th>% age</th>
<th>Total</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Mobilink</td>
<td>37.3</td>
<td>114,272</td>
<td></td>
<td>0</td>
<td>80,221</td>
<td>26</td>
<td>112,000</td>
<td>36.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>306,493</td>
<td>15.39</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>41.6</td>
<td>309,272</td>
<td></td>
<td>116,711</td>
<td>96,623</td>
<td>13</td>
<td>220,000</td>
<td>29.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>742,606</td>
<td>142</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>47.1</td>
<td>800,000</td>
<td></td>
<td>350000</td>
<td>218536</td>
<td>13</td>
<td>330,000</td>
<td>19.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1,698,536</td>
<td>128.73</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>46.4</td>
<td>1115000</td>
<td></td>
<td>550000</td>
<td>319400</td>
<td>13</td>
<td>420,000</td>
<td>17.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>2,404,000</td>
<td>41.56</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>64.0</td>
<td>3,215,989</td>
<td></td>
<td>801,160</td>
<td>470,021</td>
<td>9</td>
<td>535,738</td>
<td>10.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>5,022,908</td>
<td>108.9</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>58.5</td>
<td>7,469,085</td>
<td></td>
<td>2,579,103</td>
<td>924,486</td>
<td>7</td>
<td>454,147</td>
<td>3.6</td>
<td>835,727</td>
<td>6.5</td>
<td>508,655</td>
<td>12,771,203</td>
<td>154.26</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>49.9</td>
<td>17,205,555</td>
<td></td>
<td>7,487,005</td>
<td>1,040,503</td>
<td>3</td>
<td>336,696</td>
<td>1.0</td>
<td>3,573,660</td>
<td>10.4</td>
<td>4,863,138</td>
<td>34,506,557</td>
<td>170</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>41.9</td>
<td>26,466,451</td>
<td></td>
<td>14,014,044</td>
<td>1,024,563</td>
<td>2</td>
<td>333,081</td>
<td>0.5</td>
<td>10,701,332</td>
<td>16.9</td>
<td>10,620,386</td>
<td>63,159,857</td>
<td>80.7</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>36.4</td>
<td>32,032,363</td>
<td></td>
<td>18,100,440</td>
<td>3,950,758</td>
<td>4</td>
<td>351,135</td>
<td>0.4</td>
<td>18,125,189</td>
<td>20.6</td>
<td>15,489,858</td>
<td>88,019,812</td>
<td>39.4</td>
</tr>
<tr>
<td>Jul08</td>
<td></td>
<td>35.9</td>
<td>32,056,336</td>
<td></td>
<td>18,368,074</td>
<td>4,446,024</td>
<td>5</td>
<td>351,135</td>
<td>0.4</td>
<td>18,329,428</td>
<td>20.5</td>
<td>15,774,299</td>
<td>89,325,296</td>
<td>1.4</td>
</tr>
<tr>
<td>Apr09</td>
<td></td>
<td>30.9</td>
<td>28,381,762</td>
<td></td>
<td>19,712,750</td>
<td>6,128,669</td>
<td>7</td>
<td>137,568</td>
<td>0.1</td>
<td>20,107,256</td>
<td>21.9</td>
<td>17,510,755</td>
<td>91,978,760</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Table 4.3: Source: PTA, cellular subscribers
With the arrival of competitors there is decreasing trend in PTCL landline and WLL subscribers. In 2000 there were 3.05 million fixed line subscribers and till 2005 there is increasing trend in the fixed line subscribers (5 million fixed line subscribers), but after the year 2005 and with the entrance of competitors its fixed land line subscribers decrease and reached at 3.58 million. This is not just PTCL whose subscribers decrease but also Instaphone and Paktel who lost their market. Instaphone is currently operating with below 1% market share in some backward area and Paktel was coming down and down when Zong overtake and buy the company (PTA, fixed line subscribers). This was just due to obsolete technology

A great number of local and foreign companies are competing in Pakistan. It includes both fixed line (wired and WLL) and cellular. Although current operator still has monopoly position in fixed line due to its strong infrastructure, yet major competition has been emerged in Wireless Local Loop (WLL) and this market is directing towards full competition with the entrance of some financially strong companies. The Value-added services market, including Internet and Pay Card phones, is already in full competition (Shahid, Shou-lian, & Liu).
4.3.4. Financial Aspects of PTCL

In the last few years the impact of Re-regulation and increase of competition in the telecommunication industry of Pakistan has been increasingly mounting pressure on PTCL. PTCL has launched its profit of Rs. 15.64 billion for the period of 2007 compare to last year profit of 20.78 billion. The decreasing trend in the profit was due to the structural change brought by the competitors in the telecom market. PTCL remain leader in fixed line, however there was decrease in revenue by 5.5% due to huge entry of different telecom companies in the market. There was increase in operation expenses by 11.7% mostly due to systematic developments in the operations and customer service and provisions for doubtful debts. The total revenue for the financial year 2006-07 was Rs.65.28 billion against the previous year revenue of 69.09 billion. The main reasons for the reductions in the revenue are reductions in tariffs and heavy competition in the market. (PTCL, Annual Report 2007)

To succeed in this highly competitive telecom market and to meet the increasing challenges, PTCL has taken certain necessary steps for organizational revolution. These steps include Enterprise Resource Planning Packages, introduction & implementation of Voluntary Separation Scheme (VSS), as well as penetrating new innovated services. However, the profitability of the Company for the year ended June 30, 2008 suffered due to amalgamation of a massive VSS cost amounting to Rs. 23.94 billion. Because of these steps company bears a net loss of Rs. 2.82 billion against previous year's net profit of Rs. 15.64 billion. As
discussed above the decreasing trend the subscriber and the ultimate affect on the revenue is not just for PTCL but also for two other companies who have the largest share in the cellular market in 20000, table 4.3 and figure 4.4 show these results( PTCL, Annual Report 2008). Another reason for the decrease in the revenue is the decrease in the tariff, if we look at table 4.2 there is huge decrease in the international tariff from Rs.26/per minute to Rs. 2/per minute so it ultimately affect the revenue.

The total revenue for financial year 2007-08 was Rs. 61.09 billion compares to previous year revenue of Rs. 65.28 billion. The decreasing trend in the revenue was due to huge penetration by mobile business and tight market competition. Due to improved operational controls, the Company managed to reduce its operating costs to Rs. 44.7 billion as compared to Rs. 46.6 billion last year. The non-operational income of the company is also affected by the huge outflow of the financial reserves in the shape of VSS (Voluntary Separation Scheme). But the implementation of VSS scheme can help the company to understand certain savings in the last quarter against allowances and salaries. (PTCL, Annual Report, year ended June 30, 2008) Following are the financials highlights of the PTCL.

![Figure 4.6](image)

Figure 4.6: Source: PTCL, Annual Report, year ended June 30, 2008
Despite the severe competition in the Telecom market, the Company management is confident that after successful execution of new initiative and implementation of improved strategies, it will increase the revenue and shareholder’s value with quality and low cost services while making improvement in the operational competence (Ibid).

4.4. SWOT Analysis

The above discussion illustrates different impact of Re-regulation and privatization in detail. But to know about the current internal situation “strength and weakness” of PTCL and the external environmental condition “opportunities and threats” in the telecom market we need to conduct SWOT analysis. This will of course help us to suggest a suitable strategy to PTCL.

4.4.1. Strength

- The Pakistan largest telecommunication company and the backbone of the basic telephony with about 5 million fixed line subscriber.
- Still the hub for the telecom infrastructure.
- About 2000 exchanges all around the country and leader for landline network
- Internet facility on basic telephone line and both Dialup and DSL.
- With the brand name "Vfone" using CDMA based "wireless local loop" to provide services of fixed line and has a largest network across the country. It has around 1,250,000 Vfone customers. The service is both for household and businesses; Vfone has a largest wireless local loop network and provide services in 10,000 rural and urban areas.
- "Ufone", PTCL subsidiary for mobile communication, is the country's second largest mobile phone operator with 21% market share, and about 20 million subscribers.
- Ufone has the top class technology and services in mobile telecom sector; it is continue expanding its coverage and customer base and as one of the leading services provider in Pakistani cellular market.
- Ufone have its own 21 sales and customer service center and about 250 franchisees all around the country, its customer service center is known for efficiency and friendliness, and they have innovative solutions and a "Web Based Franchise management system". (PTCL, Subsidiary).
- There is a consortium of the three "Submarine Communication Cable" networks called "I-ME-WE, SEA-ME-WE 3 and SEA-ME-WE 4" and PTCL is part of the consortium. SMW-3 has a "Landing Station" at Karachi and connects 33 countries
from 4 continents; it has a total length of 39,000km and a world longest system with 39 landing station. SMW-4 connect 14 countries and has 16 landing station within Asia, Middle East, and Europe, SMW-4 uses Terabite DWDM technology, it connect two destinations by STM-1. "SMW-4 is designed for relatively higher traffic volumes". The third one IMEWE cable has a terabite capacity and connects Europe to India through going through Middle East. It has 10 landing station in 8 countries and a 13,000 km long cable (PTCL, Company Profile; Interview).

- PTCL has two Intelsat earth stations near Karachi and Islamabad, Intelsat provide international voice connectivity and work is a hub for domestic satellite users. There are four standard B Intelsat stations at Gilgit, Skardu, Gwader and Islamabad (Ibid, Internal Report).
- PTCL has a network of over 500,000 POTS ports and more than 250,000 Broadband ports in 13 big cities (Ibid).
- "PTCL has over 10,400 km fully redundant, fiber optics DWDM backbone network. It connects over 840 cities and towns with 270G bandwidth"( Ibid)
- PTCL is providing major infrastructure services to the LDIs, Local loop operator, Internet Service Providers, payphone operator and call centers"( Ibid)
- In Pakistan PTCL has a fastest growing and largest network of broadband services. Within a short time after its services launch(2years) it acquire more than 150,000 subscriber from 150 towns and cities across the country
- PTCL offer "digital interactive television" services with the highest digital quality picture. More than hundred TV channels are offer in big cities like Lahore, Karachi and Rawalpindi and Islamabad by PTCL Smart TV.( Ibid)

4.4.2. Weakness

- PTCL has a continuous downward trend in its revenue since 2005, where PTCL has Rs.75,972 million revenue and the year Ended June, 2008 it has Rs.61,086 million, when it comes to after tax loss of 2825 million Rupees.
- Continuous decline in the number of subscriber from 5million in 2006 to 3.5million till late 2008(PTA, Fixed line Subscribers)
- Heavy unskilled human resource
- One internal report from 2003 about the education level of employees show that around 20% employees are from middle Grade 08, 26% are matric Grade10 and 20%
are intermediate Grade 12 and the remaining are bachelor and master. So heavy less qualified and unskilled workforce (internal report)

- The promotion method of PTCL was on seniority bases and most of the senior level staff reach these position because they serve PTCL for long time but these people are lacking the required skill at specialist level which is the main advantage of competitors (Ibid)
- Only 6% employees are post graduate qualification which does not match the requirement of the company working with technology and competing with international telecom giants.
- PTCL have no reliable statistical reports on absenteeism (interview) which tells us about the control of management in the organization.
- Employees are unaware of work ethics, and are irresponsible especially those working in the rural areas
- Slow pace in adopting the latest technology
- PTCL wired connections are in open air, not covered with pipelines which always become disconnected in storms and rains. PTCL mainline Cabins and DPS are not secure and managed some cabin even don’t have their safety gates. And when a line disconnected by any reason especially in the rural areas takes weeks to connect again because you cannot find a technician at the PTCL exchange.
- Weak customer care services, normal application takes more than one week to process in major cities and in villages will take more than 2 weeks.
- Telephonic complaint will rarely complete, customer need to go physically to the offices for making complaints.
- Difficult to make appointment with people at managerial level
- PTCL has no Research and Development

4.4.3. Opportunity

- Large unmet market with total population of 150 million
- Large existing infrastructure for land line covering the whole country
- PTCL has the opportunity to utilize its sources namely submarine cable system and satellite communication system for low cost long distance communication
- There is no strong competition in the landline market
Pakistan is the emerging market for the broad band internet services provider and PTCL has more than 4 million landline subscribers if PTCL develop the quality of their services and increase the efficiency of the customer care services these subscriber will be PTCL DSL user in the near future

4.4.4. Threats

• There is continues price war between telecom operator in Pakistan
• Mobilink (Orascom Telecom Holding) a multinational mobile phone operator leading the market with 28 million subscribers and a total market share of 31%, Mobilink claim that it has placed itself to be the leader of the region with its GSM operations. Mobilink has the top class human resource, and equipped with advanced technology.
• It has 74 million subscriber from 7 countries namely Tunisia, Egypt, Bangladesh, Zimbabwe and Pakistan (Mobilink, About Orascom Telecom).
• Mobilink is enthusiastic to offer the best services to its customers, to deliver worth to its shareholders, and to provide a dynamic and flexible working environment for its 15000 energetic employees (Ibid).
• In a short time span of 14 years of operation setup largest cellular networks covering more than 10,000 towns and cities with 70 switches, 7000 cell site and a 5000 km optical fiber cable. The numbers are continued to grow in the company worth more than a billion dollar (Ibid).
• Warid Telecom a joint venture of Abu Dhabi Group & SingTel Group, Abu Dhabi Group is the largest business group in the Middle East and they have the largest investment in the shape of Warid Telecom in Pakistan. SingTel is also a strong company having investment 21.4% in Thailand, 30.5% in India, 100% in Australia, 44.5% in Philippines, 45% in Bangladesh, 35% in Indonesia and 30% in Pakistan (Waridtel, About Warid).
• Warid, after completing its three years operation claiming that warid has passed its infancy stage and now become a challenger and uses all possible ways for its expansion (Ibid).
• China Mobile Pakistan (CMPak) with the brand name "Zong" invested around 700 million dollar in Pakistan's telecom market and further investment of 800 million dollar up to the end of 2008 (Zong, CMPAK).
• CMPak has the edge of experience and capability of operating the largest telecom services of the world and committed for setting up of quality and standard in customer relations (Ibid).
• Zong offer the cheapest call rate 50 Paisa/ call (Zong, Packages)
• Telenor fully owned by Telenor ASA with 2 billion dollar investment in telecom market of Pakistan, Telenor planned to invest heavy amount in infrastructure expansion and it has the fastest growing network (Telenor, History).
• Telenor Group is 7th largest cell phone operator, working in 13 countries, have 164 million subscribers and providing top class telecommunication, data and media communication facilities (Ibid).
• There are 2.43 million WLL Subscriber in the country out of .602,219 are Telecard use, 534,194 WorldCall user and Wateen is also increasing its subscriber at a high pace (PTA, wireless local loop subscribers)
• Beside all these threats from competitors, PTCL landline is also facing problem from terrorism and instability in all the 7 tribal areas and four districts of Malakand division.

4.5. Porter’s analysis of PTCL
After making a detail study of the Pakistan Telecommunication Company Limited now let’s put its case in the context of Porter’s Five Forces Model.

4.5.1. Rivalry among the Firms
The increase in the intensity of rivalry especially after the entrance of Telenor and Warid in 2005 greatly influences prices as well as the cost of competition. The cost of advertising and sales become very high and a continuous price reduction has been observed due to price war among the competitors. There are three areas of competition wired line, wireless local loop and cellular; there in the wired line PTCL is the sole operator in the market, in the wireless local loop PTCL (Vfone) is the leader but facing severe competition from WorlCall, TeleCard, and Wateen, while in the cellular sector Mobilink is the leader and Ufone (PTCL subsidiary) is at number two position. The cellular sector is not just a threat in this sector but also to the fixed line sector because the function of both is the same “to make a call”. In this type of competition firms with best technology and superior customer services can survive.
4.5.2. Threats of New Entrants
As there is already a severe competition in the market and cellular operator like Mobilink, Telenor, Warid, Ufone and Zong have already reached to their maturity and have control in every corner of the country. PTCL landline is also mature and has an establish infrastructure everywhere and for new operator to establish its landline network will take a long time. While in the wireless local loop beside the four big operator including PTCL (Vfone) there are some other firm which are still struggling for their survival so there is no chance of new entrants.

4.5.3. Bargaining Power of Suppliers
In the telecommunication industry there is no such supplier because this is a service sector and in the market of Pakistan if there are some services needed Pakistan Telecommunication Authority is responsible for that which has the same criteria for all operators. Beside this PTCL is providing some services to some operator especially to wireless local loop so for PTCL there is no such threats.

4.5.4. Bargaining Power of Buyers
Most of the population of the Pakistan belongs to middle and lower middle class and the main use of the telecommunication in the country is to make a call, value added services are not in use of general population and limited to some segment of the market like the use of internet with cell phone or video conferencing. So there is a strong bargaining power of buyers in the market and some people even use more than one SIM Card to take benefit of different packages offered by the operator. This is the main problem in the market if one operator is offering free air time after mid night till morning the other offer it from evening to mid night the third one offer Rs. .50(50 Paisa: there are 100 Paisa in one rupee) per minute. The ultimate benefit goes to users. To retain the subscribers, PTCL land line offer free local call after mid night and Ufone also has such packages

4.5.5. Threats of Substitute
The current downward trend in the subscribers is mainly due to wireless local loop in which currently there are more than 2million subscribers and PTCL is the leader of the segment. While the DSL internet is the future substitute for all the three segments: Wired, WLL and Cellular. As it has happened in the developed world all the official communication take place through Email and Messengers as text messaging, voice chat and videos conferencing. Internet is the cheap source of communication and there is an increasing trend of the use of internet despite the lack of infrastructure in the country. While looking to its use many
operators have entered to the market and functioning well. PTCL also provide services in this segment both dialup and DSL Broadband and the main advantage of the PTCL in the segment is that it has an established network of exchanges everywhere in the country. If there are some problems in the landline, PTCL can cover that with its Wireless local loop.
5. SWEDISH TELECOMMUNICATION (TELIA)

5.1. History of Swedish Telia

Swedish Telecom is the public limited company liable for Swedish telecommunication system including telecommunication, data, radio communication and telex. It began in 1853 since the company has been operated under different names as, Telegrafverket and Televerket. In 1854 the first telegraph line was opened and by 1857 it is completed between Ystad and Haparanda linking the south and north part of Sweden. After this the first phone line was installed in 1877 (Finding Universe, Swedish Telecom). The numbers of telephonic calls to US in 1938 was only 321, which rose up to 4800 just in 1947 due to decrease in rates and direct radio telephone route to US. 60% of all telephone lines were fully automated in the mid of 1948, and the remaining had to be upgraded in next 24 years. (Ibid) (Rashid)

The 1960s and 1970s was a decade of growth and innovation of Swedish telecommunication. Starting in the mid-1960s the automatic network growth was more than 160 exchanges each year, and new-fangled trunk exchanges had been installed in the area of Stockholm to deal with “Trunk and Transit Traffic”, meanwhile 1965 the data communications service was began in Sweden (Ibid).

There were great changes happened in Swedish telecommunication, particularly for removal of monopoly during the period of 1980s. In 1989 the new parameters of the Swedish telecommunications market was somewhat completed, with the termination of Swedish Telecom's monopoly on large and medium-sized Private Automatic Branch Exchanges, resultant widely open telecommunications markets in the world. In respect to the need for further competition, Televerket wanted permission from the government to establish a company called Teleinvest that would possess and manage the share capital of Televerket's subsidiaries (Rashid).

In 1984 Swedish Telecom was confront with problems when it was alienated from the national budget and compels to finance its operation from the open market. In the fiscal year 1984-1985, Televerket was permitted by the Swedish Parliament to take out loans on the open market. In 1991 Televerket was able to finance the majority of its investments requirement from profits. The company invests over SKR 5 billion a year on the growth and upgrading of
its telecommunications network, which began in the early 1980s. (Finding Universe, Swedish Telecom)

The telecom sector has added considerably and increasingly to profitable growth in recent decades. Fast technological development, innovation and circulation have turned telecom into a major growth generator, worldwide and particularly in Sweden. (Lindmark, et al., 2004)

5.2. Privatization of Televerket

The communication from Televerket was officially sent to Govt. in Dec. 1990. In that report several points were raised which resulted for the privatization of Televerket. The report consists of following main points (Karlsson, 1998, p. 128)

The European economic combination created a new market formation, and private companies with business in many countries would also insist international telecommunications services. It was argued that Televerket would have a weak position since the Swedish market was geographically remote and relatively small. At the same time, the most customers of Televerket were Swedish multinational companies. Televerket had to be able to offer competitive international solutions for these customers in the emerging European market and internationally. (Ibid)

In order to achieve this, Televerket would have to be more active outside Sweden, by establishing more subsidiaries, acquiring foreign companies and joining international alliance. There are several reasons in favor of privatization of Televerket (Karlsson, 1998, p. 129)

Because of the above and several many other reasons Televerket (Department of Telecom) was privatized from an enterprise to a state-owned limited company on 1st July 1993 (KTH School, Telia). The decision was declared in parliament in order to streamline the telecommunications in Sweden. The state is the sole owner of that company and can be entirely determine the direction and establishment for Telia. A large part of the shares sold to the public, but the majority will still be kept by the Swedish State.

The purpose of writing of this part is to examine whether the transformation of Televerket from a State enterprise to a private company called Telia AB has been effective or not. Private companies have greater freedom of action compared with government agencies. Furthermore, it would be possible for private companies to make decisions faster, which they
avoid, during the complicated bureaucracy that government agencies are characterized (Bano).

Televerket converted to Telia AB, and became a state-owned company in 1993. During this process it has separated some of its activities, such as power supply, mobile phone parts and Internet section, and emerged as independent companies under management.

5.2.1. Telia and Sonera Merger
After the privatization of Televerket the Swedish Telia announced a merger plan with the Finnish telecom company Sonera in 2003. The new company name was introduced as TeliaSonera. The company headquarter will be in Stockholm. It has decided that English will be the official language of communication. Swedish and Finnish Governments have decided to fully support the merger and sign the agreement. Each share holder has to decide to reduce its shareholding in the combined company during the five year plan.

31 million people of Nordic countries and Baltic region will fulfill their telecommunication needs from TeliaSonera. TeliaSonera is expected to have 7.6 million fixed line and 8.1 million mobile customers across the Nordic and Baltic regions. The related companies of the combined group are expected to have 14.6 million mobile and 1.2 million fixed line subscribers.

After the merger of Telia and Sonera, the share price has been increased and reached to SEK 25. If we compared the Dow Jones Stoxx Telecommunication index, which is the largest telecom operators in EU, the TeliaSonera share has reached near and in line to that company index. It is now leading telecom group in Baltic and Nordic region with the approximately 34000 employees (TeliaSonera).

5.3. Impact of Privatization

5.3.1. Growth
After privatization its business is divided into different main areas because of the large geographic and commercial circulation. These areas are mobile communications, Internet, IP-based networks, broadband services, data communications and international carrier activities (Entrust). Networks are largest among these areas, responsible for installation the fixed network in Sweden. In a highly competitive market it is essential that company must be more flexible and efficient in order to survive. Telia AB is a limited and
the parent company of the group. The state has full power and control over the capital. (Holmborg, H. et. al., 1999)

Numbers of proposal were presented for the Telia that it will permitted to increased working capital without the assistance of state.

This would be a golden opportunity to increase the share of the Swedish market. It was observed that telecommunications market has become more efficient financially since Televerket privatized. More companies, including Tele2, Comviq, Europolitan, released into the market. By the year end 1899, there were 2 million telephones installed in Sweden. Telia was declared as 24th largest telecom operator in OECD in 1997 with total fixed line of 6010000, and mobile lines subscribers of 1935000. The total turnover for the year for Telia was 6083 (million in USD) and employees were 32,549. In 1999 the number of mobile subscribers reached to 3500000 and in year 2000 it fall to 2760000 due to high competition. (Holst, et al., 2001) in the following figure the growth of telecommunication has been described by Telia.

![Diagram](https://example.com/diagram.png)

**Figure 5.1:** Source: (Holst, et al., 2001)
As a result of competitor and growth in new services in the telecom market, this market change and expended with great pace in previous ten years. However the revenue for the mobile voice market is increasing and fixed voice is decreasing. Which shown in the following figure (Lindmark, et al., 2006)

![Revenue development for fixed and mobile services (MSEK)](image)

**Figure 5.2: Source: Lindmark, et al., 2006**

### 5.3.2. Profitability and Employment

After privatization of Televerket, Telia profitability is increasing day by day. During the transformation process in early 1980s Telia had different strategies to prepare for re-regulation/competition as a limited company. The main focuses of Telia were on customers, results, and productivity. Telia also developed a program which includes the tools about the measurement of customer’s satisfaction and reply the customer within 10 seconds and management by ideas and objectives. In the 1990s, when Telia had facing full competition, they changed its strategies. Inspite of focusing on customer, Telia had emphasis on costs reduction, cost effectiveness, profit centers, decentralization and organization and finally business and product development. The internal programs included vision 2001, quality, product development, multimedia development, geographical expansion, cost rationalization and staff reductions. In the beginning of 2000, the telecom industry had rapidly changed and now facing mobile expansion, end of monopoly, and a new economy deflated. When the issue of cost has been adjusted to the new market creation, then the focal point of Telia was personalized services, industry reshaping and profit.

In the following table just before the privatization since 1990 Telia’s investments have been doubled. Number of employees were decreased from 50 000 in 1990 to 17 000 in 2001, Outsourcing was a major happening in 2001 which caused reduced number of employees.
Customer trend in mobile usage increased from 1 000 000 (NMT) to 5 000 000 (Baltic Sea Region). All these factors together raised the profits to 64 % (Ibid). Complete evolution of Telia form the year 1990 to 2001 is shown in the following figure

<table>
<thead>
<tr>
<th></th>
<th>Televerket 1990</th>
<th>Telia 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>GSEK 31,5</td>
<td>Turnover</td>
</tr>
<tr>
<td>Profit</td>
<td>GSEK 3,9</td>
<td>Profit</td>
</tr>
<tr>
<td>Investments</td>
<td>GSEK 10,3</td>
<td>Investments</td>
</tr>
<tr>
<td>Customer base, Mobile</td>
<td></td>
<td>(NMT)</td>
</tr>
<tr>
<td>(In Sweden)</td>
<td>1 000 000</td>
<td>(In Sweden)</td>
</tr>
<tr>
<td>No of employees</td>
<td></td>
<td>No of employees</td>
</tr>
<tr>
<td>In Sweden</td>
<td>50 000</td>
<td>In Sweden</td>
</tr>
</tbody>
</table>

**Major Events**

<table>
<thead>
<tr>
<th>Major Events</th>
<th>Major Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephony capacity increased by 10.4%</td>
<td>IPO of Telia</td>
</tr>
<tr>
<td>The NMT system 1 million customers</td>
<td>Acquisition of Netcom ASA</td>
</tr>
<tr>
<td>Proposal to establish a company</td>
<td>IPO of Eniro</td>
</tr>
<tr>
<td>Outsourcing</td>
<td></td>
</tr>
</tbody>
</table>

Table: 5.1- Source: (Nilsson & Rosenqvist)

In autumn 1995, the whole structure of group was to be changed in order to meet new situations, 5,000-7,000 employees were calculated to be excess in 1996-1998. In order to run smooth and cost effective operations and to meet the upcoming competition, Telia has to reduce its excessive stuff from different sections. The first major lay-offs were accrued in 1992. In this about 3000 employees are fired within one batch i.e. from 40,000 employees. These dismissals created lot of frustration and anger between the middle and lower level management. In order to remove above drawback, different ways of managing lay-offs were
applied. A new organization unit was established under Telia management. The name of that unit is Division Staff Supply. It became the legal manager of all staff. Under this system 32000 persons were operated during 3 years. All places in the new structure were announced internally as vacant, and all employees were eligible to apply, many persons had to apply for their own previous position. The staff unions were correspond to and took active part in the whole process with "Division Personalförsörjning" (Benno E., Karl E. Change Management for an Incumbent Telco)

Employees that did not thrive in getting a position were integrated in a special unit of the Division for 'movable staff’. They were given either short work, such as temporary reinforcement during the transfer period of elements requiring extra staff for a short period, or given independently designed training that would make them qualified for other jobs, outside or inside Telia. These actions had been successfully used during the first lay-off period by some of the regional units, now steadily applied for all excess staff. (Benno E., Karl E. Change Management for an Incumbent Telco)

The number of employees at December 31, 1999 was 30,643. Limitation of the Recruitment division and taking into consideration divested operations, the number of employees in Business Operations enlarged by 1,463, to 30,333. (Teliasonrea, Telia AB The Telia Group, 1999 Annual Report Summary)

Employment force rose a little during the first half year of 2000, ending the period at 30,986 (30,589 at December 31, 1999) the main workforce increased in aboard operations. (TeliaSonera, Telia AB The Telia Group Semiannual Report January June 2000).

The Group’s concrete hard work during the second quarter decreased the number of employees by 7,468 persons to 22,468 at the end of 30th June, 2000. The average number of employees was 27,637 persons during the six-month period, compared to 30,307 for the full year 2000. The decrease is mainly due to Eniro and Telefos being reported as allied companies (TeliaSonera, Telia AB The Telia Group Semiannual Report January–June 2001)

The number of employees at year-end 2001 increased to 29,173 (17,149) during the merger. (TeliaSonera, Year-End Report January–December 2002)

The number of employees was reduced by 1,766 and reached to 26,694 during 2003 through reform process. Costs for this joblessness are covered by providing provision of SEK 341 million made in 2003. Additional reorganization measures were also applied in 2003.
Effectiveness was also improved within administration and certain support functions. As a result, 400 jobs were discontinuing during the year. About 176 permanent employees were given notice and the remaining of the reduction is dealt through internal transfers, pension plans and non-renewal of temporary contracts (TeliaSonera, Year-End Report January–December 2003)

Rapid technological development called for extensive recruitment. Telia faced lack of specific expertise and over-staffing at the same time. Telia’s redeployment division had to create a mission with the objectives to let business units to focus on businesses, keep and employ young graduate employees, make rational use of existing competences, give capacity for training people for new jobs, and strengthen goodwill and limit the cost of transformation. The mission was to reorganize 5000-7000 surplus employees without joblessness over the time 1996-1998.(Nilsson & Rosenqvist)

Telia’s CEO Marianne Nivert describes the outsourcing in Telia as a way of refining the company; This refining process has involved a huge decrease in employees, only a fourth of the staff from 1989 remains in 2002. The main task of Telis is to sell the telecom services and give up other services in support of network and technical education, to other organization units. (Ibid)

Telia has reduced its operation cost through outsourcing and firing of personnel. In return Telia has, put a lot of investment in marketing due to the increasing competition. Cost of
marketing expenditure was 1250 MSEK during the period of 1998. This cost was two times in 2002 and in 2004 the cost was 5404 MSEK. (Ibid)

![Figure 5.4: Illustration Telia Employees. Source: (Nilsson & Rosenqvist)](image)

### 5.3.3. Competition

Competition is already started in 1960 in the Swedish telecom market by entrance of international computing firms and local firms in mobile telephony followed by satellite services in the 1980s. The major monopoly attacker was the Kinnevik group, which became full-fledged competitor, i.e. TELE 2 in 1990 second only to Telia in most products and services [see the following figure]. Competition was stared in international telephony and data communication which resulting in price decreases. However in the local loop, the Swedish market is still indefensible or uncompetitive. (Lindmark, et al., 2004)

Figure 5.6 shows the percentage share of each competitor in Swedish telecom sector. In the year of 1994 just after the privatization, Talia has the largest market share followed by Tela2 which is the core competitor of Telia in its evaluation.

With the passage of time and with technology development large number of competitors entered in Swedish Telecom market and got their share of fixed and mobile subscribers. After the privatization and with the introduction of different competitors Telia share of fixed and mobile subscribers are decreeing.
5.3.4. Financial Perspectives

In this section we have discussed the financial position of Telia after privatization during the year 1997 to year 2003. Follow figure showed complete financial position during the whole year of 1999.

Table 5.2: Source: TeliaSonera, Telia AB The Telia Group, 1999 Annual Report Summary

The above summary of year 1999 shows that telecommunication market in Sweden grows with a pace. The use of mobile services increases by 22% and fixed services increased by 4%, net sales rose to 6%. Prices were cut off 6% during the year. Outside from Sweden, the sales were increased by 15% which expected to MSEK 8,040. The share of foreign sales was 21%. Fixed services sales of Telia increased by 4%. In Sweden the rise was 1%. After the September 11 incident the revenue was reduced by 11%, mainly in house hold segments.
Traffic on the mobile and internet networks kept increasing. Traditional date communications were also growing, as did in other markets. Mobile services sales increased in Sweden by 11% (Teliasomera, Telia AB The Telia Group, 1999 Annual Report Summary).

Growth was attributable to GSM, which fascinated more subscribers and generated more traffic per subscriber. Telia’s directory operations advanced, while sales of goods and installations encountered less demand. Competition in the Swedish market preserved pressure on prices in the most profitable service and customer segments for all businesses. But, volume growth and actions taken to boost efficiency yielded positive results. The established Earnings from Swedish operations have improved. In order to achieve long term growth Telia invested in new, sophisticated services and in geographic expansion. These initiatives boost expenditure for development of goods and services. For example, Telia is investing convincingly in services based on the Internet and broadband technology. Actions taken by all segments to expand geographically and position Telia in its markets will grow value in the long run but incur costs of market entry in the short run (Teliasomera, Telia AB The Telia Group, 1999 Annual Report Summary).

**Geographic Segment Breakdown, 1999**

![Geographic Segment Breakdown](image)

*Figure 5.6: Source Teliasomera, Telia AB the Telia Group, 1999 Annual Report Summary*

Total Group investments rose considerably, primarily owing to further investment in telecom operations outside the Nordic region. Investments reached 23% of sales. Investments in Sweden ended at MSEK 6,266. Movement in the other Nordic countries slowed, to MSEK 1,133 (1,607), however investments outside the Nordic countries increased, to MSEK 4,746. Depreciation, amortization, and write-downs equaled MSEK 7,652 (7,146). No general changes in depreciation schedules were implemented in 1999. Depreciation and amortization equaled 15% (14%) of net sales. Investments in buildings and land have been decreased since
Telia striped its commercial properties (Teliasonera, Telia AB The Telia Group, 1999 Annual Report Summary).

During the year of 2000 Telia is reporting sustainable of getting high profitability growth rate in priority areas. Net sales increased by 42% because of the dramatic increase of mobile user (1,712,000) in Sweden, Demark, Norway and Finland. Grouping position of Telia had strengthened with the acquisition of Norwegian mobile operator (NetCom ASA). The company is now predicting balance price structure. Telia attained a highly competitive market offering following the completion of price changes. Price reduction during the year reserved the Group’s total net sales growth, which became 4.5 % for comparable units(Teliasonera, telia Year-End Report 2000)

Combined net sales increased by 3.7 % as compare with the previous year. The increase was 4.5 % for comparable units. Net sales rose in the fourth quarter by 3.5 %. Growth was reached primarily by strong sales increases in mobile telephony and vital demand in the international carrier business and Swedish network wholesaling. Prices were lowered by an average of 6.7 % during the year, meaning that consolidated sales volume rose by 12% for comparable units .(Teliasonera, Telia Year-End Report 2000). Following figure shows the complete financial position during the year 2000.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>14,540</td>
<td>14,887</td>
<td>54,064</td>
<td>52,121</td>
</tr>
<tr>
<td>Change in net sales (%)</td>
<td>-2.3</td>
<td>7.4</td>
<td>3.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>3,790</td>
<td>3,343</td>
<td>13,087</td>
<td>14,059</td>
</tr>
<tr>
<td>Underlying EBITDA margin (%)</td>
<td>26.1</td>
<td>22.5</td>
<td>24.2</td>
<td>27.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>7,930</td>
<td>2,505</td>
<td>12,006</td>
<td>5,946</td>
</tr>
<tr>
<td>Income after financial items</td>
<td>7,658</td>
<td>2,445</td>
<td>11,717</td>
<td>5,980</td>
</tr>
<tr>
<td>Net income</td>
<td>7,408</td>
<td>1,755</td>
<td>10,278</td>
<td>4,222</td>
</tr>
<tr>
<td>Earnings per share (SEK)</td>
<td>2.47</td>
<td>0.62</td>
<td>3.50</td>
<td>1.48</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>-</td>
<td>-</td>
<td>23.9</td>
<td>14.2</td>
</tr>
<tr>
<td>Investments</td>
<td>10,311</td>
<td>4,912</td>
<td>47,742</td>
<td>12,145</td>
</tr>
<tr>
<td>of which shares and participations</td>
<td>3,085</td>
<td>1,996</td>
<td>8,269</td>
<td>4,109</td>
</tr>
</tbody>
</table>

Table 5.3: – Source Teliasonera, Telia Year-End Report 2000

5.3.5. Telia Profitability after Merger

The merger is now effectively completed. TeliaSonera took better market initiatives in
2003. Record-high earnings and a strongly improved cash flow were achieved. Following is the summery of the year 2003.

![Table 5.4](http://www.teliasonera.com/investor_relations/reports/interim_report/2003/in_english.pdf)

After the merger with the Sonera net sales increased by SEK 80979 million, net income increased by SEK 13140 million and Operating income jumped to SEK 7671 million. Free cash flow reached SEK 17499 million. Strong ratio was seen in the usage of mobile and internet. Downbeat fixed consumer trend in Sweden broken at the end of year. Proposed divided increased to SEK 1,00 per chase, containing of an ordinary divided of SEK .40 and also an extra dividend of SEK .20, showing the dramatically strong cash flow (Telia Sonera, 4/03).

TeliaSonera continuous growing in 2008 and is now present in 20 markets with 450 million people and contributions of 135 million subscriber. It recorded-high earnings in 2008. Net income reached to 5.6 % to SEK 21.4 billion, a new achievement for TeliaSonera. This was motivated by Mobility Services, which achieved growth and higher profitability, despite regulatory interference and high competition in the Nordic and Baltic regions. TeliaSonera is a strong and economically balanced company with lots of capability and many expert and motivated people. It has leading positions in the Nordic and Baltic countries and in numerous emerging markets with high growth potential. It is well prepared to incarcerate the opportunities that may arise (TeliaSonera, Annual Report 2008).
6. COMPARISON BETWEEN SWEDISH TELIA & PTCL

6.1. Introduction
The purpose of this chapter is to analyze the trends of both PTCL and Telia. Of course there is no perfect match between them. Telia were the incumbent department of a developed country, which was the leader of telecommunication in the world history, which started its working before 1850 and restructure its organization for all technological innovation and development with the time. Even the employees of Swedish Telia used to train workers in other telecommunication companies of other countries also in for PTCL, while the history of PTCL was started with the foundation of Pakistan in 1947. At that time Pakistan had a shortage of financial resources and was not able to offer huge finances for telecommunication sector. Till 1962 Pakistan main source of communication was Post & telegraph department. The growth started with the creation of Pakistan Telecommunication Corporation in 1991. This shows that PTCL has not strong technological background. In order to improve the entire structure of PTCL and become a profitable organization comparison is necessary. We can learn from Swedish case and adopt the strategies which Telia had adopted after privatization.

6.2. Technological Development
Rapid technological development, innovation and transmission have turned telecommunications into a major economic growth in Sweden. Telia have Long and broad experience in mobile and fixed line technologies which has a great influence on its strong future position. The first Phone line was installed in 1877 and number of called to US were 321 in the year 1938. The history of Telia shows that it has grown its networks with the rate of 160 exchanges per year during 1960s.

Digitalization considers as miles stone in Swedish telecom history. It just started in 1960s with the core of network like digital switches and interoffice transmission links. It has expended to terminals in 1980s and in early 1990s ended with local loop which is mainly analog. Following table shows the picture of technological development in Swedish telecom sector.

While in case of Pakistan there was not enough technology development in telecom sector from 1947 to 1990. The first license for mobile communication company was granted in 1989. There were only 359,981 fixed lines installed in 1993 that has improved to 4 million
lines in 2003. The important services of telecommunication like, voice mail, CLI (caller identification), messaging were introduced in the late 1990s. The facility of broadband internet service was launched recently. PTCL is now in the adoption stage of 3G technology with the name of Wireless Broadband “Onthego”, for high speed internet services. PTCL is still behind Telia in adoption of Technology, but after privatization it covering its technological deficiencies.

![Diagram showing the evolution of telecommunication technology](image)

**Figure: 6.1 - Source:** (Lindmark, Andersson, Johansson, & Bohlin-Chalmers, 2004)

### 6.3. Competition

The Competition was started in the 1960, during that period Tele2 was the main competitors to Telia. But after the full privatization of Telia different competitors have entered in Swedish telecommunication market. With the arrival of competitor Telia monopolistic position has weaken, sales and net income was also decreased to some extent.

Same is the case of PTCL; it was monopoly in landline till 2003, while competition form cellular companies have already started in 1990. Competition gets strengthen after 2003 when lot of competitors was given licenses to operate in Pakistani market. During 2006 the completion reached to its peak, while subscribers and profitability start decreasing, because competitors got their share by providing more reliable, new and cheap services to the customers.
Telia have also facing the same decline in subscribers and profitability with the entrance of competitors. From 1993 to 2003, there is continuous declining trend in market share of Telia. The number of subscribers was also reduced from 3500000 in 1999 to 2760000 in 2000.

6.4. Growth
After privatization Telia divided its organizational structure into four different main areas because of its huge geographical conditions and commercial circulation. These areas include mobile communications, Internet, IP-based networks, broadband services, data communications and international carrier activities. In order to attain long term growth and to overcome the competitors Telia has invested in internet and broadband technology. After merger with the Sonera, Telia have increased its market share and profitability.

After partial Re-regulation in 2003, PTCL started its cellular services with its subsidiary Ufone. Ufone is the second largest company in cellular market with the market share of 22%. It started its WLL services and still the leader in the WLL. The broadband services are also introduced after privatization. PTCL start providing the facility of Cable TV. PTCL has also contracted with the EMAAR (International Housing Society) to provide information and telecommunication services in Islamabad and Karachi. The latest development of PTCL is launching 3G broadband technology.

6.5. Profitability
Telia has a very strong position in financial matter, even after privatization when it faces lot of obstacles regarding customer, competitors, funds, it maintain its income every year. In 1997 Telia sale was SEK 45665 million which rose to SEK 52121 million in 1999 and reached to SEK 54064 million in year 2000. The net income also increased to 2222 in 1997 and reached to 4222 in the year 1999. With the passage of time its profitability and net income increases and at the end of 2000 its net come reached to 7408 MSEK.

The main reason in the increase of profit and net income was the Telia strong Technological position and availability of its services to the entire Sweden. When competitors entered in the market they just started their operation in most dense population area e.g. when Europolitan came in the market it started its function in the area of Goteborg and Stockholm. In this way competitors got very small share of profit and income from telecom, and in the remaining area of the countries the situation is still like a monopoly.
While in case of PTCL, it has different position as compared to Telia. PTCL profitability and market share start decreasing with the end of PTCL monopoly in 2003. It has a continuous declining trend in its revenue (faces a net lose in 2008 mainly due to Voluntary Separation Scheme for employees) and market share till 2009. The main cause of reduction in revenue and net income was the entrance of financially strong and technologically equipped competitors (Telenor, Waridtel and Orascom Telecom Holding) in the Pakistan telecom market, these competitors were very strong in technology and customers service as compared to PTCL. They spread their communications network in the whole country and capture the large market share and subscribers. While PTCL technological and financial position was not strong enough which cause reduction in market share of landline, but Ufone which is the subsidiary of PTCL in mobile communication has tremendous growth with 22% market share in mobile sector.

6.6. Employment

The privatization process greatly affects employment in the organization. In case of Telia before privatization during 1992 the first major lay-offs were occurred. In that period 3000 employees are fired within one batch i.e. from 40,000 employees. This process continuous and during the year 2003 the number of employees reached to 26694. Telia has to pay about SEK 341 Million to the jobless employees in 2003.

While in case of PTCL it has approx. 65000 employees before privatization. The main workforce of the PTCL is unqualified and unskilled. About 50% employees are under graduate. After privatization of PTCL the new management has realized that company spent huge amount on employees in respect of salary and other different remunerations. In order to reduce the operational cost of the organization, to make it more effective and profitable, PTCL need to layoff these unskilled employees. PTCL has launched a scheme called VSS (Voluntarily separated scheme). Under this scheme PTCL has to pay a lump sum amount to the employee who is willing to leave PTCL. The VSS scheme cost Rs 34.94 billion to PTCL for the period 2007 and 2008, assuming that 60 percent of the employees avail this package. The cost of VSS was Rs.17.429 billion to be paid out of the privatization proceeds.
7. CONCLUSION AND RECOMMENDATIONS

7.1. Conclusion

As we know that each activity has pros and cons or positive and negative impacts, similarly the phenomenon of Privatization also have impacts on both grounds. If we look at the whole study we can find that privatization has the following Negative impacts on the performance and development of PTCL;

*Decrease in Subscribers:* Due to privatization PTCL subscription level is getting low, because of poor customer services and the obsolete wired technology which always have problem of disconnection. While the competitors have international experience in customer services and they have the latest technology which attract customer to use their services.

*Decrease in Revenue:* the revenue was mainly decreases due to market competition and the ultimate decline in the tariff and subscribers. There is a huge decline in the tariff from Rs.26 in 2003-04 to Rs. 2 in 2007-08 which badly impact the revenue of the organization.

*Decrease in employment:* PTCL is in the process of employees’ layoff and provide huge amount to separate unskilled personnel beside this there is a turnover of the skilled employees as competitors offers more attractive packages as compare to PTCL. Beside this privatization also cast some significant impacts on PTCL:

- **Induction of New Technology:** The most important impact of privatization on PTCL is the induction of New Technology. Although PTCL is still staying behind the rest of the market competitors but due to privatization it is now in the process of adopting new and latest technology like 3G, Which will give competitive edge in future.

- **Improvement in customer services:** Keeping in view the customer services of competitors PTCL has also making steps towards further improvements in their services to attract more customers, which were simply not possible as state run enterprise.

- **Increase in Competition:** Privatization always encourage healthy competition based upon good services and cheap prices where the end benefits goes to the customers, which always favors further growth of the Industry.

While studying the case of Telia, and keeping in mind the current situation of PTCL. It has been observed that PTCL is not in a bad condition. PTCL is in the same condition as Telia (the world leading telecommunication company) were after privatization. After privatization
Telia has reduced its overall cost by reduction in employees, outsourcing, acquiring the latest technology and providing the cheap services to its customers as compare to their competitors. PTCL have to introduce innovative products and services and should revise the human resource policies such as hiring right person for the right job. To remain the leader in the telecom sector PTCL has to give importance to its customers by offering low charges and high quality service. In nut shell privatization always leads to efficiency but not in short run.

7.2. Recommendations
Some suggestions are enumerated hereunder for the improvement of the PTCL as says “There is always room of improvement”. Recommendations suggest improvements in areas, which have capacity for polishing and progress. The suggestions are as under:

7.2.1. Services
On the bases of our study it is clear that PTCL customers care services are not in line with its business. Customers care service unit of PTCL is unskilled and unqualified. While competitors main competitive advantage are their reliable and customer’s friendly services. It is observed that PTCL customers are not satisfied with the customers care services, particularly billing system and complaint processing system.

It is recommended that staff of customers care services must be qualified and trained with in the area of customer’s services so that they can facilitate customers properly.

There must be proper complaints management system, which can handle customer’s complaints on daily bases. Subscribers of landline in the rural areas are suffering from disconnection due to many reasons for which customers makes complaints, takes weeks to connect. If this problem is being resolved, usage of those lines will be increase which ultimately contributes to the revenue.

7.2.2. Substitute to Landline
The problem of landline disconnection in rural areas can be resolved with the wireless substitute called V-phone (WLL). The demand of V-Phone is at hike day by day due to avoid the complications of Cable system. It has another advantage that this technology is also economical as well as feasible in remote & far flung areas where this facility may be provided easily. It also carries less maintenance expenditure. PTCL should increase the coverage of V-Wireless communication to the rural areas.
7.2.3. **Technological Improvement**

Although PTCL is adapting new technology after privatization but the pace of acquiring the latest technology is very slow. All the competitors are very advance in acquisition of new technology. In order to become a leader in telecom market PTCL must acquire the latest technology like, 3G and 4G. In the same way Internet services around the world are growing swiftly so in this global world PTCL has no exception to cater the requirement of modern era.

7.2.4. **Common Awareness**

As the PTCL is undergoing post privatization process it is inevitable that all employees at every level must be well conversant with the latest Technology, Marketing tactics, Computer inventions in order to meet with the present era requirements, so that they may utilize their talent & abilities to improve the overall performance of the entity.
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