

**SECTORAL REGULATIONS AND CONSUMER PROTECTION:  
AN ANALYSIS OF LAWS RELATED TO PROTECTING  
CONSUMER OF OIL AND GAS, ELECTRIC POWER AND  
TELECOMMUNICATION SERVICES**

**THESIS FOR LL.M CORPORATE LAWS**



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Accession No. 10877

MS

343.071

RUS

1. Consumer protection - Law & Legislation

DATA ENTERED

Amzg 8/10/07/13

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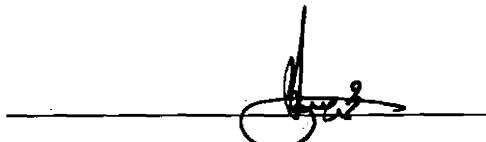
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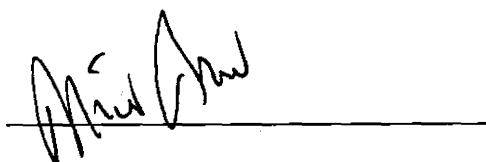


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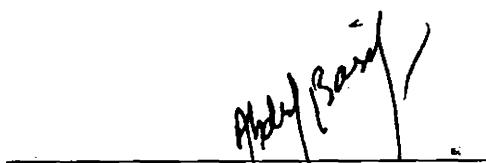
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## ontents

LIST OF ABBREVIATION .....	1
TABLE OF CASES.....	2
DEDICATION .....	3
ACKNOWLEDGEMENTS .....	4
ABSTRACT .....	5
CHAPTER ONE .....	7
CONSUMER PROTECTION AND REGULATORY AUTHORITY: AN INTRODUCTION .....	7
1.1: CONSUMER PROTECTION: .....	8
1.1.1 Consumer .....	8
1.1.2 Consumerism or consumer protection .....	9
1.1.3 Consumer Rights.....	9
1.1.4 Historical overview consumer protection in the world and in Pakistan.....	10
1.1.5 Consumer protection law in Pakistan.....	12
1.2. REGULATORY AUTHORITY .....	15
1.3. REGULATORY AUTHORITIES AND CONSUMER PROTECTION.....	17
CHAPTER 2 .....	20
OIL AND GAS REGULATORY AUTHORITY .....	20
2.1 INTRODUCTION .....	21
2.2 OBJECTIVE .....	22
2.3. POWERS AND FUNCTIONS OF THE OGRA .....	22
2.4. ACHIEVEMENTS.....	23
2.5 OIL AND GAS SECTOR IN PAKISTAN .....	26
2.6. CONSUMER AND OGRA – DEFINITION SCOPE AND STATUS OF CONSUMERS .....	28
2.7. COMPLAINT RESOLUTION .....	32
2.8. CRITICISM .....	35
2.8.1 The OGRA failed to protect consumer rights .....	35
2.8.2 The OGRA opposes LPG gas proposal .....	36
2.8.3The OGRA is responsible for the fuel shortage in the country.....	37
2.8.4 The OGRA is responsible for blast in public Transport.....	37
2.8.5 Fraud and less pressure of CNG supply.....	38
2.8.6 High tariff just to increase funds in new induction .....	38
CHAPTER 3 .....	40

PAKISTAN TELECOMMUNICATION AUTHORITY .....	40
3.1 INTRODUCTION .....	41
3.2. AUTHORITIES, FUNCTIONS AND OBJECTIVES OF PTA.....	43
3.3 POWERS OF PTA.....	45
3.4 ACHIEVEMENTS.....	47
3.5 TELECOMMUNICATION SECTOR IN PAKISTAN .....	48
3.6 CELLULAR COMPANIES IN PAKISTAN.....	49
3.7 CONSUMERS AND PTA.....	51
3.8 CRITICISM .....	54
CHAPTER 4 .....	56
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY .....	56
4.1 INTRODUCTION .....	57
4.2 OBJECTIVES OF NEPRA.....	59
4.3 FUNCTIONS OF NEPRA.....	59
4.4 DETERMINATION OF TARIFF.....	59
4.5 COMPLAINT RESOLUTION .....	61
4.6 THE ENERGY SECTOR IN PAKISTAN .....	62
4.7IMPORTANT POWER UTILITIES IN THE POWER SECTOR: .....	65
4.7.1 WAPDA.....	65
4.7.2KESC .....	66
4.8 CRITCISM .....	67
CHAPTER 5 .....	72
MAJOR REGULATORY BODIES IN PAKISTAN: OGRA, PTA AND NEPRA – COMPARATIVE ANALYSIS .....	72
5.1 INTRODUCTION .....	73
5.2 COMPARATIVE ANALYSIS OF OGRA, PTA AND NEPRA –A QUICK OVERVIEW .....	78
5.2.1 PROTECTION OF CONSUMER ECONOMIC INTEREST .....	82
5.2.2 CONSUMER SATISFACTION .....	84
5.2.3 FAIR AND ACTIVE COMPETITION .....	85
5.2.4 EDUCATION AND AWARENESS FOR CONSUMERS.....	87
5.2.5 AVAILABILITY OF ACTIVE REDRESS.....	87
CONCLUSION AND RECOMMENDATION.....	88
BIBLIOGRAPHY .....	91

## **LIST OF ABBREVIATION**

APCNGA	All Pakistan CNG Association
CNG	Compressed Natural Gas
GOP	Government of Pakistan
IPPs	Independent Power Procedures
KESC	Karachi Electric Supply Corporation
LPG	Liquefied Petroleum Gas
NTDC	National Transmission and Dispatch Company
NEPRA	National Electric and Power Regulatory Authority
OGDCL	Oil and Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority
PEPCO	Pakistan Electric Power Company
PPL	Pakistan Petroleum Ltd.
POL	Pakistan Oilfields Ltd.
PSO	Pakistan State Oil
PARCO	Pak Arab Refinery Limited)
PTCL	Pakistan Telecommunication Company Limited
PPA	Power Purchase Agreement
PTA	Pakistan Telecommunication Authority
SSGCL	Sui Southern Gas Company Limited
SPPs	Small Power Producers
SNGPL	Sui Northern Gas Pipelines Limited
WACOG	Weight Average Cost Of Gas
WAPDA	Water and Power Development Authority

## TABLE OF CASES

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*Fatechand Murlidhar and etc. v. Maharashtra State Electricity Board, Nagpur and etc.* AIR 1985 Bom. 71.

*Regional Provident Fund Commissioner v. Shiv Kumar Joshi.* AIR 2000 SC 331.

*Sayyed Hanan Khalid Gilani v. District Judge/Presiding Officer District Consumer Court Multan.* 2011 YLR 2780.

## **DEDICATION**

**IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL**

**To My Father (Late)**

**You are very dear to us in our hearts and you will always be remembered and missed.**

**May Allah bless you.**

**To My Mother And Friend Madeeha**

**I truly appreciate everything you people have done and doing for me.**

**May u people always live long, healthy and happy life.**

## **ACKNOWLEDGEMENTS**

After Allah the Most Merciful and Al- Mighty I would like to convey my profoundest gratitude to those who have helped and assisted me during my studies.

First and foremost, I am profoundly thankful to Sir Misbah ul Mustafa, visiting faculty member in the department of law, for being by my side regarding selection of topic, submission of thesis proposal and thesis writing. Moreover, my depth of thankfulness goes to Mr. Ali Asghar, Director of Legal Department of PTA for his support and guidance. In addition, I am very much thankful to Mr. Babar Mirza, associate at Amhurst Brown (Barristers & Advocates) for providing me with relevant materials.

Last but not least, I am deeply and profoundly indebted and thankful to Prof Dr. Muhammad Zia-ul-Haq, my thesis supervisor and Professor in the faculty of Shari'ah and Law. His sense of expertise and supervisory skills has, entirely, facilitated me from the beginning till the end.

## **ABSTRACT**

If it is asserted that the current era is the era of consumers, it won't be wrong –because nearly every country whether developed or developing is trying really hard to improve the consumer rights laws. Consumer protection laws are of great importance for the economic growth of a country. Development in every field demands sustainable and reliable legal framework or set of laws which can enhance the consumer protection. In a nutshell, it is crucial for every country to pay a close attention towards consumer protection.

When a developing country like Pakistan is taken into account, the movement of consumerism is very slow. To protect the interest of consumers of different sectors there are certain regulatory bodies to regulate the matters. Here, three major regulatory bodies will be taken into account and then their comparative analysis will be considered for a better understanding that how these regulatory bodies are similar and how they differ from each other, also what factors they have overcome and what factors they are still lacking. The role of three major regulatory bodies will be considered namely the Oil and Gas Regulatory Authority, commonly known as the OGRA, the National Electric and Power Regulatory Authority, commonly known as the NEPRA, and the Pakistan Telecommunication Authority, commonly known as the PTA. Of course, all these regulatory bodies are not equally compatible or proficient –if the one lags the other leads and if the one leads the other

lags. Keeping main provisions and legal framework that help governing these regulatory bodies final assessment will be made. What things are required to improve the system overall will also be taken into account briefly.

## **CHAPTER ONE**

### **CONSUMER PROTECTION AND REGULATORY AUTHORITY: AN INTRODUCTION**

## **1.1: CONSUMER PROTECTION:**

### **1.1.1 Consumer**

The term “Consumer” in legal perspective means an individual who is involved or who is acquiring or consuming services, goods for his or her household or domestic or personal use. Noteworthy is the fact that the individual needs not to be involved or must not be making transactions or acquiring the services or goods for business purpose or re-supplying or utilizing them for any kind of trade. Moreover, the individual –according to the definition –must not be involved in manufacturing or generation of services or goods, even treating or repairing do not fall under the definition of the consumer<sup>1</sup>.

For a broader perspective, another definition –according to Punjab Consumer Protection Act 2005 –must be considered. An entity or an individual who obtains or buys any good or product without being involved in commercial or trade or resale purpose will be called a customer.<sup>2</sup> Also, the entity or the individual take assistance from the service provider who is selling the product or service. Connecting all dots together, a consumer is a self-employed purpose who purchases goods or services or products for his personal, family or household use<sup>3</sup>. In Fateh Cahand Murlidhar vs M.E.S. Board, Nagpur<sup>4</sup> it was held that the owner of a building is not consumer if the building is the occupation of a tenant. Any member of the family of “consumer” is also consumer.<sup>5</sup> Neither the university is the service provider nor the student falls under the

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<sup>1</sup>A. Salman Humayun, Mohammad Sarwar Khan and Mukhtar Ahmed Ali, “Model Consumer Protection Act 2000”, Available at <[http://www.crcp.org.pk/PDF%20Files/mcp\\_act\\_2000.PDF](http://www.crcp.org.pk/PDF%20Files/mcp_act_2000.PDF)> (Last accessed on October 23, 2010).

<sup>2</sup> Punjab Consumer Protection Act 2005, S. 2(c).

<sup>3</sup> Punjab Consumer Protection Act 2005, S. 2(c).

<sup>4</sup> AIR 1985 Bom. 71.

<sup>5</sup> AIR 2000 SC 331.

category of consumer.<sup>6</sup>

### **1.1.2 Consumerism or consumer protection**

Consumerism is the name of association which supports the interests of consumers of goods and services. It is also known as “Consumer Protection” or “Consumer Movement”. It ensures that good or service which is owned by the consumer is safe to use and no fraudulent practice is or is being done to him. It covers the actions from both consumers and government side. The mount of this phenomenon had a great effect on business world. At one side it gave importance to the need and safety of consumers whereas at the other side many industries had to suffer heavy financial loss due to the actions taken by Government and unsatisfied consumers.<sup>7</sup>

### **1.1.3 Consumer Rights**

When the rights of a consumer are talked about, they can be as many as one can justify in the better interest of a consumer. Consumer groups consider that there must be four basic rights for consumers i.e. right to quality, right to safety, right to information and the right to choose.<sup>8</sup>

United Nations has recognized general guidelines for consumer protection for the need of consumers in all over the world, known as United Nations Guidelines for Consumer Protection, 1985. Signatories of United Nations Guidelines for Consumer Protection, 1985 are required to enforce that principle in their respective states. These guidelines cover the physical safety of consumers and protection of economic interest of them.

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<sup>6</sup>2011 CLD (Lahore High Court), 927.

<sup>7</sup>*The World Book Encyclopedia* (USA: World Book Publishers, Inc., 1986), 798w-798x.

<sup>8</sup>*The World Book Encyclopedia* (USA: World Book Publishers, Inc., 1986), 798x.

They highlight the standards for the safety and quality of goods and services, distribution facilities of goods and services, availability of proper redress and consumer education and awareness programs. They also emphasize on certain measures relating specific area for example food, water, pharmaceutical etc.<sup>9</sup>

#### **1.1.4 Historical overview consumer protection in the world and in Pakistan**

It is believed that the origin of consumer protection is the market place of United States. In 1872, for the first time in the world history a law based on fraud was enacted. Later, in 1890, Sherman Anti Trust Act was passed, although it did not focus on the consumer protection directly, but it emphasized on the quality of a good set of legal provisions. In 1906, Upton Sinclair wrote a book named 'The Jungle' on the disgusting condition of meat packing industry in Chicago, and in response government passed another enactment called Pure Food And Drug Act. With the passage of time other movements on consumer protection also started for example, Federal trade Commission in 1914 and Food and Drug Administration in 1931. John F. Kennedy's speech in 1962, describing consumer protection right, and Ralph Nader book "Unsafe at any speed" in 1967, were the next steps in the development of consumer protection, definitely. Other enactments also came into existence i.e. Consumer Bill of Rights in 1962, The Fair Packaging and Labeling Act 1965, etc. In 1972, Consumer Product Safety Commission was formulated.<sup>10</sup>

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<sup>9</sup> See <<http://www.un.org/documents/ga/res/39/a39r248.htm>> (Last accessed on October 23, 2010).

<sup>10</sup> See <<http://www.america.gov/st/usg-english/2007/October/20071009171007liameruoy0.6069757.htm>> (Last accessed on December 12, 2011).

In United Kingdom(UK), the concept of consumer protection was dealt under the laws of tort, contract and criminal law in the beginning. In Paris Summit 1972, European countries discussed the need of consumer protection strategies and later on established Consumer Consultative Committee in 1973, which was later on formulated Consumer Protection Directives. These directives harmonized the laws of consumer protection of member states, particularly. The objective of these directives was to develop the economic position of community and to provide a better marketplace to consumers and to protect their rights.<sup>11</sup> In UK office of Fair Trading is working for the betterment of the consumer.<sup>12</sup>

In India it is believed that the consumer protection was introduced in Arthashastra<sup>13</sup> in which consumer protection against exploitation by trade and industry under weight and adulteration were discussed. Consumer Protection as an independent area of law was started in 1986 –especially when Consumer Protection Act was passed by the government.<sup>14</sup>

In Pakistan, before the independence of Pakistan, there was no law which directly dealt with the rights of consumers. But the remedy could be sought in case of infringement of consumer rights in the shadow of some other legislation. It can be found in the time of Mughals and Khiljis. History shows that Sultan *Ala-ud-Din*

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<sup>11</sup> See <<http://istehlakci.az/en/index.php?newsid=25>> (Last accessed on October 4, 2010).

<sup>12</sup> See <<http://www.oft.gov.uk/>> (Last accessed on October 4, 2010).

<sup>13</sup> Arthaashastra is an ancient Indian treatise on statecraft written by Kautilya. See <<http://en.wikipedia.org/wiki/Arthashastra>> (Last accessed on October 6, 2010)

<sup>14</sup> Shashi Nath Mandal, " Protection Of Consumers' Rights: A Socio-Legal Challenge In India" *The University Of Burdwan, Rajbati* (2010), 3-4. Available at:

<[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1707568](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1707568)> (Last accessed March 08, 2011)

*Khilji*(1296 A.D. to 1316 A.D.) worked a lot for controlling the price of product by keeping in view the actual cost of production. He introduced separate markets for different commodities, where the price was fixed and no one was allowed to take the commodity for private sale. Hoarding of things were not allowed, and strict actions were brought against the wrongdoer. Price of clothes and cattle were also fixed, merchant of clothes had to register themselves with Government and had to give a guarantee that they would supply the goods on a regular basis.<sup>15</sup> Furthermore, ministry of commerce was engaged in controlling the weight and measures of commodities. Children used to buy commodities in order to check the selling practice of shopkeepers. Price which was fixed for Dehli and also fixed rates were applied in other areas of the state.<sup>16</sup>

During the time of British period, very few work was done for the best interest of general people, most was done for the interest of British i.e tax collection, law and order and defense and others.<sup>17</sup>

### **1.1.5 Consumer protection law in Pakistan**

Generally following laws are available in Pakistan for the protection of consumer interest.

#### ***I) Punjab consumer protection act 2005:***

The objective of this act, as it has been stated in its preamble, is

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<sup>15</sup>“Consumer Protection Act”, 2-3. Available at: <[www.indiastudychannel.com](http://www.indiastudychannel.com)>(Last accessed March 08, 2011)

<sup>16</sup>“ Consumer Protection Act”, 2-3. Available at: <[www.indiastudychannel.com](http://www.indiastudychannel.com)>(Last accessed March 08,2011)

<sup>17</sup>Ibid , 4.

*to provide for protection and promotion of the rights and interests of the consumers, speedy redress of consumer complaints and for matters connected therewith;*

Whereas, protection means safeguarding the rights of consumers and prescribing penalty to the offender. Promotion means developing and advancing the rights and interest of consumer.<sup>18</sup>

The definition of consumer in the act is limited and restricted to living beings and does not include commercial users.

It is one of the flaws of consumer definition according to the act that big firms and financial institutions take advantage if any complaint is filed against them. If a complaint is lodged against a company or firm, they give plea that their clients do not come under the definition of consumer so the court has no power to take action against them.<sup>19</sup>

Where a person does not avail any service nor pay any consideration in return for such service, he does not fall in the category of "consumer" under Punjab Consumer Protection Act 2005.<sup>20</sup> Similarly, contract between the parties for supply of chicks would not fall within the supply of product under the act, such claims are not maintainable before consumer court.<sup>21</sup>

If a complainant received wrong medical report from diagnostic centre of the respondents stating that Anti HCV of the complainant was reactive it was held that the complainant had availed medical services after paying consideration, so he is a

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<sup>18</sup> Munir Ahmed Mughal, "Law of Consumer Protection" (Lahore: Muneeb Publishers, 2011), 25.

<sup>19</sup> Jamaluddin Jamali, "Consumer Courts In Dilemma Over Consumer Definition" Available at<<http://www.nation.com.pk>> (Last accessed December 9, 2010)

<sup>20</sup> 2010 PLD (Lahore High Court), 95.

<sup>21</sup> 2011 YLR (Lahore High Court), 2780.

consumer under Punjab Consumer Protection Act 2005.<sup>22</sup>

A manufacture of goods/ provider of services is liable for damages caused by defective goods/services.<sup>23</sup>

Let the buyer be aware has been inserted it is the right of the consumer that the defect of a product or service is disclosed to him.<sup>24</sup> Bait advertisement of goods or services is prohibited.<sup>25</sup> This act also render the power to court to give the offender imprisonment which may extend to two years or with fine which may extend to Rs 100, 000 or both with addition to damages or compensation.<sup>26</sup>

## ***II) Islamabad Consumer Protection Act 1995***

Federal government promulgated Islamabad Consumer Protection Act in 1995. The main objective of this legislation is protection and promotion of the interests of consumers and to control unfair trade practices. The act also explains the meaning of unfair trade practice, and includes the following practices

*causes loss or injury through hoarding, black marketing, adulteration, selling of expired drugs, food items and commodities unfit for human consumption, or charging for the goods and services in excess of the price fixed by an authority authorized.*<sup>27</sup>

False representation of goods through advertisement is also covered under the definition of unfair trade practice and unlawful –according to legislation.<sup>28</sup> Complaint

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<sup>22</sup> 2010 PLD (Lahore High Court), 214.

<sup>23</sup> Punjab Consumer Protection Act 2005, S. 4-17.

<sup>24</sup> Ibid, S. 11,16.

<sup>25</sup> Ibid, S. 22.

<sup>26</sup> Punjab Consumer Protection Act 2005, S. 32.

<sup>27</sup> Islamabad Consumer Protection Act 1995, S. 2(6).

<sup>28</sup> Ibid, S. 7.

may be filed in case of unfair trade practice, and the Consumer Protection Court<sup>29</sup> Islamabad has the power to give punishment to offender –punishment includes imprisonment and fine.<sup>30</sup>

### ***III) Baluchistan<sup>31</sup> and N.W.F.P<sup>32</sup> Consumer Protection Act***

These acts impose liability on the manufacturers if the goods are defective or there is some deficiency or shortcoming in the standard of performance quality or nature of service. They put some of the obligation on manufacturers e.g., publish on every packet or retainer the maximum retail price, the nature and specification of goods, receipt should be issued to the purchaser mentioning the date of sale, quantity and price. Prohibition of false advertisement is also obligatory for a manufacturer. These acts render the powers to the Consumer Council to provide an instrument, to handle consumer complaints and to punish the wrong doers.

## **1.2. REGULATORY AUTHORITY**

Regulatory authority has been defined as

*An of the nonministerial government departments with statutory duties of control over privatized industry.<sup>33</sup>*

Regulatory authorities are usually in a position of power to enforce and develop standards and safety for a specific sector. Sometimes powers given to them are very limited and sometimes they enjoy unlimited power in that sector, depending on the

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<sup>29</sup> Court of Session, Islamabad has the power to adjudicate upon the matter. Section 2(1) of Islamabad Consumer Protection Act 1995 states, "Authority means the Court of Sessions Islamabad."

<sup>30</sup> Islamabad Consumer Protection Act 1995, S. 9.

<sup>31</sup> 2003

<sup>32</sup> 1997

<sup>33</sup> P Ramanatha Aiyar, "Advance Law Lexicon" (Third edition, Wadhwa Nagpur Publisher, 2005)

determination of the state.<sup>34</sup>

Regulatory authorities are very important for the development of a specific sector. They have knowledge of the meek and weak of that area and know the best solution for them. Similarly, their experiences can help in the formation of future legislation of that sector. Due to their independent nature, they play a vital role in the best reform process of that sector.<sup>35</sup> They enjoy broad jurisdiction e.g., establish laws, prosecution and punishment. Their role is like an internal audit.<sup>36</sup>

Most countries have established these specific sector regulatory authorities for the best interest of public at large i.e. investors, market players and consumers. And these states have separated them from the control of ministries for the preeminent results.<sup>37</sup>

It is believed that Regulatory Authority for the first time was introduced in United States with the creation of the Interstate Commerce Commission in 1887,<sup>38</sup> for the development of rail road industry. It set new rules and structure for future regulatory authorities and later on many regulatory authorities were formulated in different sectors.

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<sup>34</sup> Regulatory Authority. Available at <http://www.answers.com/topic/regulatory-authority-1>, (Last accessed December 9, 2010)

<sup>35</sup> *The Role of Independent Regulatory Agencies in Policy-Making: a Comparative Analysis of Six Decision-*

*Making Processes in the Netherlands, Sweden and Switzerland.* Available at <http://www.apes-tool.ch/assets/files/mmaggetti.pdf>, (Last accessed December 29, 2010)

<sup>36</sup> [2003] AIR SCW 366

<sup>37</sup> *The Role of Independent Regulatory Agencies in Policy-Making: a Comparative Analysis of Six Decision-*

*Making Processes in the Netherlands, Sweden and Switzerland.* Available at <http://www.apes-tool.ch/assets/files/mmaggetti.pdf>, (Last accessed December 29, 2010)

<sup>38</sup> See <<http://www.britannica.com/EBchecked/topic/291667/Interstate-Commerce-Commission>> (Last accessed December 29, 2010)

In Pakistan with the emergence of neo liberalism and privatizing utilities regulatory regime came into being. There are many regulatory authorities presently working in a different sector for example, in the field of oil and gas OGRA(Oil and Gas Regulatory Authority) in electric power sector NEPRA (National Electric and Power Regulatory Authority), in telecommunication area PTA (Pakistan Telecommunication Authority), on media and broad casting side PEMRA (Pakistan Electronic Media Regulatory Authority) and so on.<sup>39</sup>

### **1.3. REGULATORY AUTHORITIES AND CONSUMER PROTECTION**

In the period of monopoly command, consumers had a very limited choice to get goods and services. There was the lack of competition and only few hands were in the manufacturers of goods and provider of services. With the passage of time, perfect competition arose and the concept of consumer protection surfaced out.

With the emergence of the regulatory regime the phenomenon of consumer protection was developed. It has been noticed that one of the core objectives of regulatory authority is to develop and defend consumer interest. Therefore, the consumer protection is more enlightened today than it was in old period; and regulatory authorities are the important actors in this regard.

Many rights of consumers have been recognized by these authorities some of these consumer rights are

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<sup>39</sup> See <<http://www.oide.org.pk/pdf/PDR/2002/Volume4/319-332.pdf>> (Last accessed December 29, 2010)

*the right to be informed; (ii) the right to safety; (iii) the right to choice; and (iv) the right to be heard.*<sup>40</sup>

An efficient regulatory authority has the capacity to enforce consumer protection. They enjoy the powers to initiate civil criminal and administrative proceedings against the one who infringe the rights of consumers. They also establish policies for the best interest of consumer and act upon them. They have appropriate resources for the enforcement of rules and standards.

It is an important function of a regulatory authority to monitor the business of service providers as well as their own operations. By making consumer protection an achieving point, a good regulatory authority sets its targets and proficiently achieves them. To review the success of targets periodically is an important task of such authority.

A good regulatory authority works actively for the enforceability of laws where the interest of the consumer is jeopardized. It also provides the aspect of comprehension enforcement policy through their website and publications to consumer.

Transparency in the enforcement process is also a tribute of an effective regulatory authority. Furthermore, it organizes consultation for the best result. To reveal their enforcement outcome is an important role –which a good regulatory authority plays.

An effective regulatory authority protects consumers from deceptive and unfair market practice. They actually set targets to remove unlawful behaviors in the market place and to save the interest of consumers by providing harmless goods and services to

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<sup>40</sup>See <<http://www.nios.ac.in/Secbuscour/25.pdf>> (Last accessed on December 3, 2011)

them.<sup>41</sup> They necessitate a company/service provider to provide services for handling consumer complaint. Similarly, they have authority to take action against false advertisement of service provider.

Some of the regulators are trying to establish Consumer Protection Committee to make out consumer risks in advance for the better solution. They will coordinate consumers in order to categories their problems.<sup>42</sup>

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<sup>41</sup>Good Practice in Consumer Protection Enforcement : A Review of 12 Australian Regulators, Available at <http://www.choice.com.au>(Last accessed December 9, 2011)

<sup>42</sup>See <<http://www.mortgagestrategy.co.uk/regulation/news/regulators-to-set-up-consumer-protection-committee/1008251.article>> (Last accessed December 9, 2011)

**CHAPTER 2**  
**OIL AND GAS REGULATORY AUTHORITY**

## 2.1 INTRODUCTION

Pakistan is one of the states of the world whose economy depends on oil and gas sector. About 52 trillion cubic feet gas reserves have been discovered in Pakistan and production of natural gas is 3.7 billion cubic feet. As a result, Pakistan has to establish sound infrastructure for transportation distribution and transmission of natural gas.<sup>43</sup>

Over the last two decades, many efforts have been made in order to create a powerful market in oil and gas sector. For a competitive market and improvement in quality of services deregulation of oil and gas sector is one of important step done by government. As a result, a regulator of oil and gas sector came into existence which is known Oil and Gas Regulatory Authority (OGRA).

For the reformation of economy of a country establishment of the independent regulator of public utilities is a very obligatory step. The reason behind the establishment of OGRA was also to demolish the monopoly and to introduce competition in order to provide good services in oil and gas sector. It helps the expansion of services to more areas so that more consumers can enjoy the services. The establishment of the independent regulator is also required for the best interest of all the stakeholders, i.e. consumers (for the availability of oil and gas in good condition on reasonable price) and investors (for fair and reasonable profit on their investment). The formation of OGRA was also required so that the proper solution can be achieved in case of controversy between the interest of consumers and investors.<sup>44</sup>

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<sup>43</sup> See <[www.pakboi.gov.pk/pdf/Oil%20&%20Gas%20.pdf](http://www.pakboi.gov.pk/pdf/Oil%20&%20Gas%20.pdf)> (Last accessed on January 1, 2011)

<sup>44</sup> OGRA Report 2001 -2002, Available at , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed on January 1, 2011)

## **2.2 OBJECTIVE**

OGRA came into existence on 28<sup>th</sup> March 2002 under the Oil and Gas Regulatory Ordinance 2002. The main objective of the establishment of OGRA is

*to foster competition, increase private investment and ownership in the midstream and downstream petroleum industry, protect the public interest while respecting individual rights and provide effective and efficient regulations.<sup>45</sup>*

One of the most important tasks of OGRA is to protect the interest of all the stakeholders, i.e. consumers, investors and the government by implementing self regulatory infra structure. At the time of establishment all the responsibilities of the Natural Gas Regulatory Authority (NGRA) were transferred to OGRA regarding natural gas and later on, the LPG (Liquefied Petroleum Gas) and the CNG (Compressed Natural Gas) sectors were also transferred in the regulation of the OGRA.<sup>46</sup>

## **2.3. POWERS AND FUNCTIONS OF THE OGRA**

The OGRA Ordinance 2002 explains the powers and functions of the OGRA as follows

- i. It has the power to grant, renew, amend, modify suspend, cancel etc. It shall enforce upon licensees all the required standards and shall take necessary measures in this regard.

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<sup>45</sup> See <http://www.ogra.org.pk/> (Last accessed on January 1, 2011)

<sup>46</sup> See <http://www.ogra.org.pk/> (Last accessed on January 1, 2011)

- ii. It shall promote transmission, distribution refining, marketing and storage of transportation of petroleum by pipelines.
- iii. It shall promote competition in market, safeguard the public and national security interest, protect the interest of stakeholders and resolve complaints against licenses.
- iv. It shall determine the price of petroleum and natural gas for producer and retail price for consumers. It shall also administer the tariffs.<sup>47</sup>

The regulated activities of the OGRA are;

1. Construction of pipelines, transmission, distribution and sale of natural gas.
2. Operation of pipelines, refinery and storage of refined production in oil field.
3. Construction of pipelines, production, storage, transportation, filling, marketing and distribution of LPG.
4. Operation of testing, storage facilities, transportation, filling, marketing and distribution of CNG.

## **2.4. ACHIEVEMENTS**

Before the establishment of the OGRA, all the activities regarding natural gas were regulated by Natural Gas Regulatory Authority. When the OGRA came into existence all the work were shifted to the OGRA. Sui Northern Gas Pipelines Limited (SNGPL), Sui Southern Gas Company Limited (SSGCL) and Mari Gas Company Limited

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<sup>47</sup> Oil and Gas Regulatory Authority Ordinance 2002, S. 6.

(MGCL) got the license from the OGRA. All the requirements for a company under the OGRA Ordinance were adopted by these companies, which was a great success for the OGRA.<sup>48</sup> Deregulation in oil and gas sector caused for competitive market and progress in quality of services, prices were controlled, supply is better. About 85 percent of national consumption of the petroleum sector i.e. fuel oil and diesel prices have been revised according to international practice. Furthermore, fixed profit for distributors and retailers have been mentioned and the assets of LPG have been privatized which resulted in a competitive market.<sup>49</sup>

The authority also determines the revenue of distribution and transmission companies and equitable returns for them. In this regard authority issues certain direction and takes necessary steps.<sup>50</sup>

The authority has hired experts in order to establish standards and specifications for the construction, operation and maintenance of natural gas transmission as well as distribution pipelines. These experts also studied the standards practicing in America, Canada and Australia for the best result.<sup>51</sup> The authority has made the process of obtaining CNG license very simple for the ease of investors. With the help of CIDA CNG rules were drafted.<sup>52</sup>

The authority has issued non-exclusive licenses to the gas utilities for opening the path of private investment. Similarly many licenses have been issued in the sector of CNG and LPG for the growth of investment. The experts working in authority also resolve

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<sup>48</sup> Ogra Report 2001 – 2002 , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed on January 5, 2011)

<sup>49</sup> See <<http://www.ogra.org.pk/>> (Last accessed on January 5, 2011)

<sup>50</sup> Ogra Report 2001 – 2002 , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed on January 5, 2011)

<sup>51</sup> ibid

<sup>52</sup> ibid

disputes among stakeholders and impose penalties and fine. The authority also issues directives with the passage of time for managing oil and gas sector.

The OGRA always seek to bring down the high UFG level of SSGPL and SNGPL. Whereas the UFG means

*the difference between the total volume of gas purchased by the licensee during a financial year and volume of metered gas supplied to its consumers excluding metered gas used for licensee's self consumption.*

If the UFG level of companies is high that means it cause the wastage of gas and revenue loss which further resulted the high rate of consumer price of gas. For preventing such issues, the OGRA started certain standards in 2003-2004. The OGRA ensure the authenticity of UFG level through independent auditors. OGRA has permit considerable amount of expenditure on UFG control activities and security expense on continued basis.

The OGRA also control the Human Resource cost of these companies because these cost have to be shared by companies and consumers. For further work in this area and for establishing benchmarks the OGRA is doing its best effort.

For the uniform consumer price of gas all over the country the Government of Pakistan has settled a policy in 2003 under section 21 of the OGRA ordinance 2002, the OGRA ensure the enforcement of that policy. As the gas prices can be varied due to the input of gas in different gas field, so the price can be fixed on the basis of weight average cost of gas (WACOG).<sup>53</sup>

If the latest news regarding achievements of the OGRA are considered, an impecable news surely drags the attention. The OGRA conducted surprise inspection in order to check whether or not all CNG stations are following the guidelines –especially for the

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<sup>53</sup> Ogra Report 2009-2010, <<http://www.ogra.org.pk/images/data/downloads/1262861770.pdf>> (Last accessed on January 5, 2011)

price fixation –on 5<sup>th</sup> May, 2011. This action was to ensure the price fixation as previously when the prices were raised the suppliers used to raise the prices even before the implication or effective date. Strict notice was taken against the suppliers who were charging new or extra price. 75 CNG stations were inspected randomly without any prior notice and these CNG stations were in the vicinity of Islamabad, Rawalpindi, Taxila, M-2 and adjoining areas<sup>54</sup>.

## **2.5 OIL AND GAS SECTOR IN PAKISTAN**

Pakistan has plenty of oil and gas reserves, some of them have been discovered and most of them are to be discovered. The very first field of gas was discovered in 1952 at Sui, later on some discoveries were made in southern part of the country. Similarly, a lot of natural gas reserve are present in Sindh and around the Indus river Basin. Therefore, Pakistan is self sufficient in the term of natural gas but still pipe gas is available to only 18 % of population.<sup>55</sup> Similarly Pakistan has oil reserves of 300 million barrels in 2006 and in the year 1999 Pakistan has 70 oil fields in production of oil.<sup>56</sup> Oil and Gas Development Corporation Limited (OGDCL) is the largest exploration and production of oil and gas in the country, prior that Pakistan Petroleum Ltd. (PPL) and Pakistan Oilfields Ltd. (POL) were carried out the same functions of OGDCL. Being a private company PPL and POL were only interested in making more and more profit but they don't have any concern in the development of oil and gas sector in Pakistan. So in 1961, GOP with the help of USSR established OGDC for the exploration of oil and gas in Pakistan. In 1997 it was converted into public company in

<sup>54</sup> See <[http://www.ogra.org.pk/cats\\_disp.php?cat=170](http://www.ogra.org.pk/cats_disp.php?cat=170)> (Last accessed January 7, 2011)

<sup>55</sup> Ogra Report 2009-2010, <<http://www.ogra.org.pk/images/data/downloads/1113477668.pdf>> (Last accessed on January 5, 2011)

<sup>56</sup> See <<http://www.mbendi.com/indy/oilg/as/pk/p0005.htm>> (Last accessed January 11, 2011)

order to generate its own funds to maintain the exploration and development of oil and gas field.<sup>57</sup> Other foreign companies working in oil sector are UK based British Petroleum , BHP Billiton (Australia) OMV (Austria), Petronas (Malaysia) and Premier Oil (UK).

SSGCL (Sui Southern Gas Company Limited) and SNGPL (Sui Northern Gas Pipe Line Ltd) are the main companies working in Pakistan for the transmission and distribution of gas. SNGPL was incorporated in 1963 as private company and in 1964 was converted into public company. Its function is to transmit and distribute natural gas in Punjab, NWFP, AJK and some parts of Sindh. There are about 3.4 million consumers including commercial, domestic, general industry, fertilizers and power and cement sectors. In the financial year of June to July of SNGPL's annual sale was recorded of Rs 168,933 million.<sup>58</sup> Whereas, SSGCL is distributing and transmitting natural gas in Baluchistan and Sindh. About 388,828 million cubic feet gas was sold in 2009-2010 by SSGCL. It has almost 2.2 million industrial commercial and domestic consumers.<sup>59</sup>

Mari Gas Company Ltd is also one of the leading exploration and production of oil and gas company in Pakistan since 2001.<sup>60</sup> Pakistan State Oil is the largest marketing company in Pakistan involved in storage, distribution and marketing of various POL products. It provides services in automotive sector.<sup>61</sup> Shell Pakistan is involved in business of both upstream and downstream of oil.<sup>62</sup> Pakistan Refinery Limited is

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<sup>57</sup> See <<http://www.ogdcl.com/>> (Last accessed January 20, 2011)

<sup>58</sup>) See <<http://www.sngpl.com.pk/>> (Last accessed January 20, 2011)

<sup>59</sup> See <<http://www.ssgc.com.pk/ssgc/index.php>> (Last accessed January 20, 2011)

<sup>60</sup> See <<http://www.marigas.com.pk/Exploration.shtm>> (Last accessed January 22, 2011)

<sup>61</sup> See <<http://www.psopk.com/>> (Last accessed February 2, 2011)

<sup>62</sup> See <[http://www.shell.com.pk/home/content/pak/aboutshell/at\\_a\\_glance\\_tpkg/](http://www.shell.com.pk/home/content/pak/aboutshell/at_a_glance_tpkg/)> (Last accessed

involved in manufacturing and supplying of petroleum product to domestic consumers as well as Pakistan defense forces.<sup>63</sup> Attock Petroleum Limited is engaged in exploration and production, refining and marketing of petroleum products in Pakistan.<sup>64</sup>

PARCO (Pak Arab Refinery Limited) is a joint venture between Pakistani Government and Emirate of Abu Dhabi since 1974. It is engaged in refining, transportation, storage and marketing of petroleum products.<sup>65</sup> Pakistan Petroleum Limited is a natural gas supplier company which supplies about 25 % of country's total natural gas. It also supplies crude oil, Natural Gas Liquid and Liquefied Petroleum Gas (LPG).<sup>66</sup>

## **2.6. CONSUMER AND OGRA – DEFINITION SCOPE AND STATUS OF CONSUMERS**

The reason for the establishment of the OGRA was to protect the interest of shareholders and the availability of gas with good quality at reasonable price to consumers. Apart from this, another reason for the commencement of OGRA was to bring out competition in market in order to control of quality and price of oil.<sup>67</sup>

“Consumer” has been defined in Ogra Ordinance 2002 as

*Consumer means a retail consumer for natural gas, retail consumer for oil or wholesale consumer.<sup>68</sup>*

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February 2, 2011

<sup>63</sup> See <<http://www.prl.com.pk/about/companyprofile.php>> (Last accessed February 2, 2011)

<sup>64</sup> See <<http://www.apl.com.pk/aplcompanyprofile.htm>> (Last accessed February 2, 2011)

<sup>65</sup> See <[http://www.parco.com.pk/index.php?option=com\\_content&view=article&id=162&Itemid=174](http://www.parco.com.pk/index.php?option=com_content&view=article&id=162&Itemid=174)> (Last accessed February 2, 2011)

<sup>66</sup> See <<http://www.ppl.com.pk/content/corporate-profile-overview>> (Last accessed February 2, 2011)

<sup>67</sup> OGRA Report 2001 -2002, Available at , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed February 5, 2011)

<sup>68</sup> Oil and Gas Regulatory Authority Ordinance 2002, S. 2(iv).

Whereas, mission statement of OGRA is

*Safeguard public interest through efficient and effective regulation in the midstream and downstream petroleum sector*<sup>69</sup>

From the very first day, OGRA is performing its function in its first year of establishment; it issued direction to SNGPL and SSGPL i.e

1. To show their capital expenditure.
2. To lay down transmission lines in new areas.
3. To reduce UFG (Unaccounted for gas) to below 6%.
4. To have an agreement with CBA (Collective Bargaining Unit) for the incensement in production prevailing domestic inflation rate, control on overtime expenditure.<sup>70</sup>
5. To establish disconnection mechanism for recovery of gas bills in time.<sup>71</sup>

In its very first year the authority had determined the revenue requirement of SNGPL and SSGCL by Rs 1875 million,<sup>72</sup> and it remain change according to requirement on annual basis.

The consumer price of CNG was deregulated activity since its inception in 1992 and it was fixed by CNG station owners. But in 2009, OGRA got power for determining sale prices for various category of consumers under section 43 (B) of OGRA Ordinance,

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<sup>69</sup> See <<http://www.ogra.org.pk/>> (Last accessed February 5, 2011)

<sup>70</sup> OGRA Report 2001 -2002, Available at , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed February 5, 2011)

<sup>71</sup> Ibid.

<sup>72</sup> OGRA Report 2001 -2002, Available at , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed February 5, 2011)

2009.<sup>73</sup>

When OGRA Ordinance was promulgated, the powers of OGRA covered the upstream petroleum activities. Later on, on 8th November 2002, through an amendment it was notified that petroleum activities shall not be governed by OGRA rather it was continued to be regulated by the Ministry of Petroleum & Natural Resources. So for connecting the petroleum field to point of delivery without obtaining a license from the whereas, for transportation, transmission and tariff, the provisions of OGRA Ordinance shall apply.<sup>74</sup>

Later open on March 15, 2006 the function of petroleum products pricing functions along with midstream and downstream oil sector were transfer to OGRA.<sup>75</sup> For the rights and obligations of consumer before and after the sale of natural gas, OGRA bound the licensees in 2008 to submit their Consumer Service Manual, which was later on inspected by the authority. Certain weakness were pointed out for the better interest of consumer i.e application procedure and process for new connection, billing procedure policies, procedure for responding to complaints, disconnection and reconnection policies, modification and relocation procedures, addition alteration in gas load procedure, solution for gas theft, service and performance standards, safety and energy conservation, compensation to the consumers. These amendments were submitted by the licensees SSGCL and SNGPL and included “compensation

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<sup>73</sup> OGRA Report 2009-2010, <<http://www.ogra.org.pk/images/data/downloads/1113477668.pdf>> (Last accessed on March 5, 2011)

<sup>74</sup> OGRA Report 2001 -2002, Available at , <[http://www.ogra.org.pk/cats\\_disp.php?cat=16](http://www.ogra.org.pk/cats_disp.php?cat=16)> (Last accessed February 5, 2011)

<sup>75</sup> OGRA Report 2005-2006, Available at , <<http://www.ogra.org.pk/images/data/downloads/1167214490.pdf>> (Last accessed February 5, 2011)

procedure” separately.<sup>76</sup>

One of the major cause of the increment of UFG is theft of gas which later on roots the high price of these utilities. For this purpose, OGRA has formulated “Procedure for dealing with theft of gas cases” in the year 2005-2006. The licensees are bound to apply such procedure. Later on, Natural Gas Theft Rules, 2009 were formulated by OGRA in order to facilitate gas utility companies to recover value of gas stolen and give penalty to wrong doer.

Licensee is obliged to ask consumers to furnish security deposit. Actual amount of money which shall be deposited by domestic and commercial consumers as security is under consideration and suitable decision shall be undertaken.<sup>77</sup>

All LPG companies are obliged to ensure that all the supplier and distributors are following the requirements of LPG (Production and Distribution) Rules 2001 and take action against the defaulter in their area to ensure public safety. LPG suppliers are directed to monitor uninterrupted supply to consumers. OGRA facilitate complaint against these companies and take appropriate measures. The authority has addressed 27 complaints in the year 2009-2010.<sup>78</sup>

The licensees of CNG are obliged to follow CNG Rules 1992 and take action against the defaulter to ensure public safety i.e imposed fines and penalties. To ensure public awareness campaign for new brands of CNG conversion kits and cylinders for public safety. To have surprise inspections of CNG stations for checking safety measures

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<sup>76</sup> OGRA Report 2005-2006, Available at ,  
<http://www.ogra.org.pk/images/data/downloads/1167214490.pdf> (Last accessed February 5, 2011)

<sup>77</sup> OGRA Report 2009-2010, <http://www.ogra.org.pk/images/data/downloads/1113477668.pdf> (Last accessed on March 15, 2011)

<sup>78</sup> ibid

and CNG prices.<sup>79</sup>

## 2.7. COMPLAINT RESOLUTION

OGRA came into being to foster competition, increase private investment and ownership in the mid-stream and down-stream petroleum industry and to protect the public interest under Oil & Gas Regulatory Authority Ordinance, 2002. One of the major functions of OGRA is to provide relief against the wrong doers who are violating their rights. OGRA binds every licensee to provide complaint resolution system which is approved by it. Any person can file complaint against a licensee for breach of any rule, regulation provided by law e.g. for non-conformity with service standards or billing, connection or disconnection of natural gas, LPG CNG etc, metering, unjustifiable delay in service provision, quality and quantity of service, safety measures, LPG or CNG supplied. In case of correction of complaint, the cost has to suffer by licensee, and if either party disagreed from the decision they can file an appeal against the decision within thirty days.

Complaint can be filed if domestic, commercial, industrial or any other kind of consumer has to suffer delay in provision of natural gas, undue billing, delay in issuance of gas bill, gas leakage, theft charges and low pressure of gas etc. similarly, if the consumer is suffering from the late payment charges due to negligence or delay in providing bill he may come with a complaint against service provider. Against the discriminatory practice of licensee and quality less provision of natural gas, LPG, CNG or oil, or quantity issue arises, a consumer can file a complaint against the

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<sup>79</sup> Ogra Report 2009-2010, <<http://www.ogra.org.pk/images/data/downloads/1113477668.pdf>> (Last accessed on March 15, 2011)

licensee.<sup>80</sup>

OGRA is obliged to provide necessary facilities to complainant e.g. reception for basic information and procedure, proper seating arrangement, drinking clean water, washrooms, application form, etc. in addition to that OGRA has adopted consumer friendly environment policy for complainant e.g. open door policy without taking any prior appointment from concerned officer, proper guidance for filling the application form, or sending application by e-mail, fax, normal post. OGRA is responsible for giving useful feedback to complainant.<sup>81</sup>

OGRA does not appreciate any kind of discrimination and treat every complainant with equal respect and decorum irrespective of any social economic status.<sup>82</sup>

Complaint Resolution Procedure Regulations 2003 provides effective and efficient procedure for redressal of complaints. Any complaint against the gas company come in the notice of OGRA a designated officer shall resolve it. He will get necessary information from both parties and if feels fit call them for further hearing. Any party which is not satisfied from the decision of the authority can file either appeal for review of the decision to the authority or appeal in the high court.<sup>83</sup>

In last six years from 2003 to 2009, OGRA received 5444 complaint against the licensees and resolve/ disposed off 5021.<sup>84</sup>

The complaint resolution system has special requirements to be fulfilled. The complaint application must be attached with all required documents in the specified

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<sup>80</sup>Complaint Resolution Procedure Regulations 2003, S. 3.

<sup>81</sup>Ogra Report 2009-2010, <<http://www.ogra.org.pk/images/data/downloads/1113477668.pdf>>(Last accessed on March 15, 2011)

<sup>82</sup>ibid

<sup>83</sup>Complaint Resolution Procedure Regulations 2003, S. 8.

<sup>84</sup> Ogra Report 2009-2010, <<http://www.ogra.org.pk/images/data/downloads/1113477668.pdf>>(Last accessed on March 15, 2011)

format. Application can be written in either English or in Urdu and the affidavit must be affixed along with it. It is necessary to submit the application within 90 days, however, the registrar can also specify a particular submission date. If any application is from unknown sender, this anonymous application will not be processed. Furthermore, if the complainant has not sought redress or has failed to acquire the required redress, the registrar will not consider the application.

The processing date of the application is ten days and the registrar needs to complete the assessment within ten days. The registrar has the power to reject the application if the application does not fall under the rules and regulations or does not meet the requirements or the matter of concern is out of the reach of jurisdiction. In case the registrar has rejected the application then he needs to notify the complainant and forward a copy to the designated officer.

The licensee is required to reply the notification within 15 days along with relevant factors and reasons. The complaint resolution process starts when the designated officer considers all the facts before making a decision. The designated officer, usually, arranges a meeting between the complainant and the licensee to resolve the issues face to face. If the complaint is against the CNG, LPG or natural gas, then the authorities will bear the expenses to visit the sites. However, after the complaint is proven then the licensee shall bear all the expenses. The appeal time is within 30 days after the decision –if the licensee or the complainant is not satisfied with the institutional decision. Another provision of the complaint resolution system is important to be discussed, which is called the Recall of the Compliant Case. This provision gives an authority to the entity to pass on any orders it think fit to the

situation and may recall any case, any time.<sup>85</sup>

## 2.8. CRITICISM

The OGRA was supposed to be an influential regulatory body which unfortunately could not be<sup>86</sup>. The failed policies, monopoly<sup>87</sup> and lack of proper system made this regulatory body one of the failing institutions. Of many important reasons to regard this regulatory body a failure, the major reason is it failed to protect its consumers and could not satisfy its consumer<sup>88</sup> nationwide. This is the reason why most of the consumers do not trust this regulatory body and the satisfaction rate has dramatically decreased in past few decades –of course because of substandard services.

### 2.8.1 The OGRA failed to protect consumer rights

As been mentioned earlier as well, the same thing was uttered by the Senate –which claimed that the OGRA has failed to protect the consumer rights. In this senate meeting the senator asked the OGRA not to follow the insane and illogical government orders to set the petroleum price. In the same meeting the government was highly criticized because of its irrational orders for price fixation. The senator Bugti said in

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<sup>85</sup>Complaint Resolution Procedure Regulations 2003, Section. 8.

<sup>86</sup>See <<http://tribune.com.pk/story/253177/ogra-has-failed-to-protect-consumer-rights-senate-panel/>> (Last accessed February 19, 2011)

<sup>87</sup> See <<http://paktribune.com/business/news/OGRA-set-to-drop-another-petrol-bomb-9537.html>>(Last accessed February 19, 2011)

<sup>88</sup>See <[http://www.dailytimes.com.pk/default.asp?page=2011%5C09%5C14%5Cstory\\_14-9-2011\\_pg5\\_5](http://www.dailytimes.com.pk/default.asp?page=2011%5C09%5C14%5Cstory_14-9-2011_pg5_5)>(Last accessed February 19, 2011)

the meeting<sup>89</sup>

*“We cannot allow the regulatory authorities to toe the government’s line and put the burden on poor people,”*

Although the meeting end without any sound decision or a conclusion, but the senators asked the chairman to come up with a viable solution and set of options to improve the services to protect the consumer rights as soon as possible.

### **2.8.2 The OGRA opposes LPG gas proposal**

The economy of a country depends on the energy resources. If there is energy crisis in the country, economy crisis will follow up automatically, however, the OGRA does not seem to comprehend this fact. Recently, the LPG gas marketing suppliers and companies are striving hard to get license and permission to set up auto gas stations and supply LPG gas facility to the customers, but the OGRA fears for the demolition of its monopoly and this is the reason why the OGRA is persistently opposing this offer over and over again. The major reason that the OGRA gave in regard to opposition<sup>90</sup> or disapproval of this offer was the safety<sup>91</sup> measures present in the local areas or even in the cities. According to the OGRA, the safety conditions of the local areas and the cities are not such to permit the LPG autogas station fixation in the local areas and the cities –keeping poor road and traffic conditions in regard.

The OGRA also asserted that it will never permit LPG autogas station installation in residential area because the life of the residents could seriously be jeopardized this

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<sup>89</sup> See <<http://tribune.com.pk/story/253177/ogra-has-failed-to-protect-consumer-rights-senate-panel/>> (Last accessed September 20, 2011)

<sup>90</sup> See <<http://www.tawanai.com/2010/09/18/autogas-ogra-opposes-lpgas-proposal/>> (Last accessed September 20, 2011)

<sup>91</sup> See <<http://tribune.com.pk/story/314838/switching-over-ogra-stakeholders-shoot-down-cng-to-lpg-idea/>> (Last accessed January 21, 2011 )

way. As a reaction, the LPG gas suppliers<sup>92</sup> and companies have shown their reservations on the very decision taken up by the OGRA.

### **2.8.3 The OGRA is responsible for the fuel shortage in the country**

The ministry of oil and gas has held the OGRA responsible for the fuel shortage in the country<sup>93</sup>, hence sharpening the differences between the ministry and the regulatory body. An official said

*“The OGRA teams did nothing other than to send show-cause notices to oil marketing companies (OMCs) during the crisis and to wait for the replies to such notices.”<sup>94</sup>*

Another claim that the official put forth was the ministry had been working much better under the OCAC but under the OGRA things have gone worst. He also asserted that the members of this regulatory body are taking as high as Rs. 4,00,000 per month as their salaries and they are not working at all for the benefit of the country or the consumer protection rights at all.<sup>95</sup>

### **2.8.4 The OGRA is responsible for blast in public Transport**

If it is asserted that in recent accidents that occurred in public transport the OGRA is directly or indirectly involved, it will not be considered wrong. The oil and gas regulators have failed to maintain the quality standards and hence identify the

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<sup>92</sup> See <<http://www.noorlpg.com/index.php?page=newsUpdates>> (Last accessed December 20, 2011)

<sup>93</sup> See <<http://archives.dawn.com/archives/36454>> (Last accessed December 20, 2011)

<sup>94</sup> See <<http://www.tawanai.com/2010/09/26/ogra-responsible-for-petroleum-shortages-ministry/#more-1113>> (Last accessed December 20, 2011)

<sup>95</sup> See <<http://www.tawanai.com/2010/09/26/ogra-responsible-for-petroleum-shortages-ministry/#more-1113>> (Last accessed December 20, 2011)

responsible departments to provide security to public transport<sup>96</sup>.

### **2.8.5 Fraud and less pressure of CNG supply**

All Pakistan CNG Association (APCNGA) has shown its deepest reservations over gas pressure and supply saying that the government has intentionally reduced the gas pressure in big cities so that a few LPG business supplier could be benefitted<sup>97</sup>. Furthermore, APCNGA claims that the OGRA is violating the CNG, industrial, commercial and other gas consuming sector agreements. Also, the false allegations against CNG stations – fitting, maintenance, filling – is because the government wants to replace CNG with auto gas. He asserted that the government is trying to create confusion and misconception regarding CNG supply by supplying the gas to commercial organizations and industries, which is against the agreement. This entire situation creates problems for the consumers who get low pressure gas.<sup>98</sup>

### **2.8.6 High tariff just to increase funds in new induction**

Due to lack of an authoritative legal framework there can be price hike anytime, which does not put burden on anyone but consumers. To collect 278 million rupees, the OGRA has given a free hand to SNGPL<sup>99</sup> to collect this hefty amount from the consumers. Certain document<sup>100</sup> proves that the employees who were sacked in the

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<sup>96</sup> See <<http://dawn.com/2012/01/01/commuters-worst-sufferers-of-govt-decisions/>> (Last accessed March 10, 2012)

<sup>97</sup> See <[http://www.dailytimes.com.pk/default.asp?page=2011%5C12%5C22%5Cstory\\_22-12-2011\\_pg5\\_13](http://www.dailytimes.com.pk/default.asp?page=2011%5C12%5C22%5Cstory_22-12-2011_pg5_13)> (Last accessed March 10, 2012)

<sup>98</sup> ibid

<sup>99</sup> See <<http://www.newspakistan.pk/2012/01/25/Ogra-burdening-the-consumers-with-new-tariffs-Pakistan-oil-and-gas-sector-update/>> (Last accessed January 27, 2011)

<sup>100</sup> See <<http://www.newspakistan.pk/2012/01/25/Ogra-burdening-the-consumers-with-new-tariffs-Pakistan-oil-and-gas-sector-update/>> Last accessed January 27, 2011)

year 1999 had been reinstated in 2010 –the total number of employees is 2814. These employees, specifically, are neither qualified nor trained and are continuous burden on the consumers as they are practically of no good to SNGPL or SSGC. Moreover, SNGPL pleaded RS. 555 million to reinstate these uneducated and unqualified employees.

Connecting all the dots together, it could easily be said that although the international market has a great influence on the economy of a country, which further regulate the energy or fuel sector of the country, the OGRA<sup>101</sup> has failed to cope up with the international market. With each passing day the fuel sector is getting hampered and more and more fuel crisis is shoved under the consumers' noses. Energy consumption and price control plays a vital role, which is often disregarded from the policy.<sup>102</sup>

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<sup>101</sup>See <<http://dailymailnews.com/0212/01/FrontPage/index.php?id=1>>> (Last accessed January 27, 2011)

<sup>102</sup>See <<http://www.tawanai.com/2010/08/25/1059ogras-fail-control-of-lpg-prices-irks-petroleum-ministry/>>> (Last accessed January 27, 2011)

## **CHAPTER 3**

### **PAKISTAN TELECOMMUNICATION AUTHORITY**

### 3.1 INTRODUCTION

Pakistan Telecommunication Authority, commonly known as PTA, is an authoritative regulatory body –which was established under Pakistan Telecommunication (Re-organization) Act 1996. Of many facilities, major telecommunication services take account of mobile phone, land line telephony, satellite consumer, wireless communication, digital radio paging, paging services, voice mail, internet and AudioNet.<sup>103</sup> Considering these basic telecommunication services in account, imperative it is to throw light on the main responsibilities of this powerful regulatory body. With commitments, insurance that consumers would be facilitated with superior quality, affordable, excellent, competitive and compatible telecommunication services is made –the quality of these services and protection of licensees and consumers rights is ensured.<sup>104</sup>

In the essence of above mentioned services, it is mandatory to be acquainted with the highest powers and functions of the PTA. The chief functions<sup>105</sup> of the PTA embrace establishment of a competitive environment between different service providers, regulation of establishment, issuance of licenses, maintenance of telecommunication services, ensuring transparency, conduction and introduction of latest services, protection of licensees and consumer rights, ensuring actions against complaints and rectification of errors, administration of radio frequency spectrum with the assistance of Frequency Allocation Board, internet promotion and issue resolution without any

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<sup>103</sup> A.R Kernal, *Regulatory Framework in Pakistan*, Available at <http://www.pide.org.pk/pdf/PDR/2002/Volume4/319-332.pdf> (Last accessed March 09, 2011)

<sup>104</sup> See <http://www.indiastudychannel.com/resources/40567-Important-Characteristics-and-Effective.aspx> (Last accessed March 09, 2011)

<sup>105</sup> Pakistan Telecommunication Re-organization Act, 1996, S, 5.

discrimination<sup>106</sup>.

Noteworthy is the fact that the PTA has improved its systems and functions in past few decades by ensuring quality and competition among various service providers.

It can easily be asserted –seeing the difference that resulted– before and after privatization<sup>107</sup> things have really changed. The diversity in facilities, offers, quality<sup>108</sup> and competition is evident. Political instability, actually, was a great source that laid stress on the importance of privatization of public sector. Of many imperative reasons, the foremost purpose of privatizing the public sector was to reinforce the private sector in the provision of telecommunication services –also privatization<sup>109</sup> is a chief cause of attracting foreign investments<sup>110</sup>.

Although the economic pressures were there since from the beginning, but by the end of 70s economic pressures escalated resulting more emphasize on privatization of the public sector. The concept of privatization swept the world with a storm and so was the case with Pakistan. Many offers were made in regard to privatization of public sector but very few investors and service operators showed their interest. It must be noted that this change –privatization of public sector –was never always welcoming. In last two decades this concept has been followed by huge criticism, especially in regard to public utilities. Some valid points of this criticism – that most of the critics

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<sup>106</sup> See <<http://www.pta.gov.pk/index.php?Itemid=1>> (Last accessed March 03, 2011)

<sup>107</sup> A. Salman Hamayun, Tanvir Anjum, *Privatization of Public Utilities; A Consumer Perspective*, (Consumer Rights of Pakistan, 2000)

<sup>108</sup> See <<http://propakistani.pk/2009/01/07/pta-urges-for-improved-network-redundancy/>> (Last accessed March 03, 2011)

<sup>109</sup> See <<http://www.groupin.pk/blog/telecom-sector-in-pakistan-annual-growth-future-prospects/>> (Last accessed March 03, 2011)

<sup>110</sup> See <<http://www.pakbusinessnews.com/latest-happening/2754/pta-ranking-improved-in-oicci-perception-survey.html>> (Last accessed March 03, 2011)

of liberalization<sup>111</sup> assert – may take account of insecurities and instabilities in tariff, pricing, monopoly, accessibility and impartiality. With liberalization, consumers have gotten less protected and marginalized. Corporate concerns have escalated with a drop in development – feasibility of services has also seen a decrement<sup>112</sup>.

On the contrary, privatization is considered to be one of the most revolutionized innovations in current economic policy<sup>113</sup>. According to many economists, privatization is fiscal boon whereas many economists criticize the very idea of liberalization. A detailed analysis will be put forth in upcoming chapters, however, that whether the complete or partial disposal of public assets, utilities, industries, land and government companies is beneficial or not<sup>114</sup>.

### **3.2. AUTHORITIES, FUNCTIONS AND OBJECTIVES OF PTA**

The telecommunication sector of any country plays a vital role in strategic development and economic progress of the country. Despite this fact, the telecommunication sector of Pakistan has been injected with syringe of downfall<sup>115</sup>. With partial privatization that started in late 80s, many sections of this sector have

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<sup>111</sup> See <<http://www.groupin.pk/blog/telecom-sector-in-pakistan-annual-growth-future-prospects/>> (Last accessed March 12, 2011)

<sup>112</sup> Shumaila Hasim, Akhtar Munir and Afnan Khan, *Foreign Direct Investment in Telecommunication Sector of Pakistan : An Empirical Analysis*. Available at <[http://www.qurtuba.edu.pk/jms/default\\_files/JMS/3\\_1/07\\_shumaila.pdf](http://www.qurtuba.edu.pk/jms/default_files/JMS/3_1/07_shumaila.pdf)> (Last visited December 13, 2011)

<sup>113</sup> Steve H. Hanke, *Privatization and Development*, International Center of Economic Growth, California (1986)

<sup>114</sup> Wei Li and Lixin Colin Xu, *The Impact of Privatization and Competition In the Telecommunication Sector Around the World*. Available at <<http://faculty.darden.virginia.edu/liw/papers/jle2004proof.pdf>> (Last accessed December 11, 2011)

<sup>115</sup> Shumaila Hasim, Akhtar Munir and Afnan Khan, *Foreign Direct Investment in Telecommunication Sector of Pakistan : An Empirical Analysis* Available at <[http://www.qurtuba.edu.pk/jms/default\\_files/JMS/3\\_1/07\\_shumaila.pdf](http://www.qurtuba.edu.pk/jms/default_files/JMS/3_1/07_shumaila.pdf)> (Last visited December 13, 2011)

undergone important changes –the quality and compatibility of the telecommunication service are still left with a room for improvement<sup>116</sup>. It is necessary to note that what main objectives are processed under the Pakistan Telecommunication (Re-organization) Act 1996 that make the main objectives of the PTA feasible and proficient.

Following are the major functions of the PTA.

1. Maintenance, operation and establishment of telecommunication services throughout the country.
2. Receive and expeditiously dispose of applications for the use of radio frequency spectrum.
3. Protection and promotion of consumer interests.
4. Providing affordable, effective, compatible and quality telecommunication services to users.
5. Unbiased and indiscriminating investigation in case of any issue.
6. Promotion of modern services for technology development.
7. Making recommendations for international policies and licenses.
8. Performing functions assigned by the federal government.<sup>117</sup>

PTA is an objective driven regulatory body –trying to improve the present standards of telecommunication services. The PTA defines the vision of the authority as follows;

*'Create a fair regulatory regime to promote investment, encourage competition, protect consumer interest and ensure high quality ICT services'*<sup>118</sup>

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<sup>116</sup> See <<http://propakistani.pk/2010/02/22/telecom-industry-an-insight/>> (Last accessed March 15, 2011)

<sup>117</sup> The Pakistan Telecommunication (Re-organization) Act 1996, S.4.

<sup>118</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=240&Itemid=102](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=240&Itemid=102)> (Last accessed March 15, 2011)

Of many important objectives, it is ensured that the PTA guarantees the monopoly rights of the PTCL without any discrimination and biasness. Via active tariff regulations, it is made sure that the PTCL is not abusing its powerful rights –being incumbent telephony service, the main objective is to establish competitive environment between different telecommunication service providers. Noteworthy is the fact that the competitive telecommunication service operators are also customers of the PTCL. Hence, the act clearly asserts that these competitive service providers are required to respect the monopoly rights of the PTCL.<sup>119</sup>

### **3.3 POWERS OF PTA**

The PTA is authorized to issue new and renew old licenses. Enforcing, transferring and monitoring of license are a crucial responsibility of the PTA. Enforcement of law is the backbone of any regulatory body; consider the procedure of appeal and revision, therefore. When any legal notice is issued to any individual, within a period of 30 days the aggrieved individual has to file his first appeal before the court whereas the high court –according to the act –has a period of 90 days to decide the appeal<sup>120</sup>. The time period for an individual acting under any privileged or delegation of power might appeal within 30 days after receiving the notice and the court would decide the appeal within a period of 30 days. Another key point mentioned in the act is if the aggrieved individual wants a revision for the decision, instead of filing an appeal he can simply

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<sup>119</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=240&Itemid=102](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=240&Itemid=102)> (Last accessed March 15, 2011)

<sup>120</sup> The Pakistan Telecommunication (Re-organization) Act 1996, S. 7.

submit an application through the Secretary of Ministry of Pakistan for the revision of the decision.

The powers of the PTA are vivid when it comes to obnoxious, unsolicited and spam regulations<sup>121</sup>. In order to protect telecom consumer rights the PTA has issued several notifications. ‘Protection from Spam, Unsolicited, Fraudulent, Obnoxious Communication Regulation 2009’ is an example of such notifications that protect consumers rights and reinforce the regulatory body at the same time. To control spamming, all telecom operators are to establish a standardized system. The individuals proved to be involved in any kind of spamming would be subjected with penalties and would immediately be black listed –their licenses would immediately be terminated. All telecommunication service providers are to keep the list of black listed subscribers with them while maintaining the standard operating procedure. According to the act, any individual who keep himself involved in fraudulent means for the second time –first being warned or issued with a notification –would not be eligible for any cellular mobile service subscription. It is mentioned in the notification that the operators are required to update the list monthly and inform the authority.

To control the unsolicited calls, ‘Do Not Call Register’ –DNCR –is to be formed. The establishment of DNCR<sup>122</sup> includes maintaining the database of spammers. The subscribers who wish not to receive unsolicited calls can register to DNCR where they need to provide minimum information about them and the unsolicited caller. The

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<sup>121</sup> See

<[http://www.pta.gov.pk/index.php?option=com\\_content&task=view&id=1300&Itemid=301](http://www.pta.gov.pk/index.php?option=com_content&task=view&id=1300&Itemid=301)> (Last accessed March 17, 2011)

<sup>122</sup> See

<[http://www.pta.gov.pk/index.php?option=com\\_content&task=view&id=1300&Itemid=301](http://www.pta.gov.pk/index.php?option=com_content&task=view&id=1300&Itemid=301)> (Last accessed March 17, 2011)

operators are required to update DNCR within two working days. After 30 days of expiry date, the subscription would be considered retracted from subscription if the subscriber does not contact via any means.

In order to control obnoxious communication, a standard operating procedure would be established. Every compliant that the subscriber makes would be entertained with a special number.

‘Protection from Spam, Unsolicited, Fraudulent, Obnoxious Communication Regulation 2009’ contains exclusive provisions for public awareness, directions of authority, reporting requirement and confidentiality of the personal information. It can now easily be asserted that it is impossible to regulate a fair system with a powerful regulatory body and this is the reason why the PTA has many powers that help maintaining and regulating the fair and control telecommunication system nationwide.

### **3.4 ACHIEVEMENTS**

Initiatives taken up by the PTA could easily be regarded as accomplishments of the regulatory body. Despite the pitfalls and constant downfall in politics and instability in the economy of the country, the regulatory body has successfully achieved something that could simply be regarded as achievements. If the annual report 2009-2010<sup>123</sup> is taken into account, it clearly shows that the PTA has made up to many important targets.

The establishment of the Determination on the Significant Market Power, SMP, confirms that the PTA has not risked the stability in the telecommunication sphere plus

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<sup>123</sup>See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=1694&Itemid=777](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=1694&Itemid=777)>  
(Last accessed March 17, 2011)

it has added to the protection of the smaller operators against the leading operators. The finance department of the PTA has gotten stronger in the previous years by achieving the targets –from operators RS. 16.97 billion was recovered that includes the MoIT deposits as well. In addition to that, the finance department was able to achieve the yearly target of recovery in less than six months by recovering total amount of RS. 10,972,149,748<sup>124</sup>. Other leading accomplishments that the PTA made in the year 09-10 take account of; 57% of dispute settlement regarding recovery petitions, commencement of National Rabta Information Portal, Launching of Urdu, Text to Voice Plug-in and Mobile versions for PTA Website, IPv6 Monitory Group Report, SMS based Education & Agriculture Information Systems, Broadband Subscribers Survey, CMN billing verification Methodology, fund raising for the flood affected people, GPRS/EDGE KPI's Regulations<sup>125</sup> and much more.

### **3.5 TELECOMMUNICATION SECTOR IN PAKISTAN**

According to the consensus conducted in 2008, Pakistan is the world third fastest progressing telecommunication industry. More and more domestic and foreign investors and telecom operators are investing in the industry –reinstating the fixed line and mobile networks. With an introduction to Deregulation Policy for the Telecommunication Sector in 2003, this sector was improved immensely. Not only investors but the people as well started taking interest in this industry, which was of

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<sup>124</sup> Pakistan telecommunication authority official website. Available at [http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=1694&Itemid=777](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=1694&Itemid=777) (Last accessed March 17, 2011)

<sup>125</sup> Pakistan telecommunication authority official website. Available at [http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=1694&Itemid=777](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=1694&Itemid=777) (Last accessed March 17, 2011)

course advancement in this sphere. Prior to this policy, people were not even able to afford the telecom service. One international call cost round about 300 Rs./min<sup>126</sup>. Noteworthy is the fact that although the mobile telecom services have immensely increased, but the fixed line PTCL service has seen a severe decline in past few years. For instance, between the year 2005-2006 the PTCL received 5.2 million subscriptions which were dramatically decreased to just 3.4 million subscription between the year 2009-2010<sup>127</sup>. According to Nokia Pakistan is the third number to generate SMS traffic –151 billion texts were sent collectively in the year 2010<sup>128</sup>.

### **3.6 CELLULAR COMPANIES IN PAKISTAN**

As discussed earlier, the cellular companies have swept the telecom industry with a storm –an exponential escalation is an evidence for this ever growing industry. As this sector expanded, new investor took interest and boosted up this sector. Major cellular companies working in Pakistan include Mobilink with 32.9 million users, Telenor with 26.1 million users, Ufone with 20.4 million users, Warid with 18.1 million users, and Zong with 10.3 million users.

Total number of mobile subscribers has reached to 93.4 million that makes 90% of the whole country population<sup>129</sup>. Although an escalation was seen in the telecommunication industry, but the economical instability was there all the times. Having this said, revenues could grow only to 16% but the investments were dropped

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<sup>126</sup> Regulatory Environment <[http://en.wikipedia.org/wiki/Communications\\_in\\_Pakistan](http://en.wikipedia.org/wiki/Communications_in_Pakistan)> (Last accessed March 19, 2011)

<sup>127</sup> Telecom Indicators, Pakistan Telecommunication Authority, June 2011

<sup>128</sup> See <<http://tribune.com.pk/story/290329/tech-society-generation-text/>> (Last accessed ,November 18, 2011)

<sup>129</sup> PTA Annual Report 2008-2009, Available at <<http://www.pta.gov.pk/annual-reports/annrep0809/contents.pdf>> (Last accessed ,November 18, 2011)

by 48%. All mobile companies except Ufone could not make profits<sup>130</sup>. The international companies like Telenor (Norway), Orascom, Warid (UAE), and China Mobile are making all efforts to stay in the sector but hurdles are there. Regional country mobile penetration shows Pakistan improved the regional country mobile penetration following Thailand.

If mobile penetration is considered province wise in Pakistan, it reveals that Sindh is on the top, then Punjab, NWFP and Balochistan. When a comparison between postpaid and prepaid subscribers is done, it becomes evident that most subscribers are more prone to utilize the prepaid mobile service. For example, it is clear via survey, only 2% are the postpaid subscriber against 98% prepaid subscriber.<sup>131</sup>

Competition between the mobile service operators is getting tougher day by day, to understand this, consider the fact that Mobilink lost 3 million subscribers during the year 2008-09. This happened mainly because Telenor added 3 million, Zong added 2.4 million, Warid 2.4 million and Ufone 1.9 million subscribers respectively. To be in the competition and win the ever growing telecom industry in Pakistan, cellular companies are trying really hard –and investing a lot of money in the industry. Telenor invested \$347 million, Mobilink invested \$270 million, Ufone invested \$215 million, Zong invested \$204 million and Warid invested \$167<sup>132</sup>. Telecommunication sector is one of the biggest sources for the tax collection for the government of Pakistan<sup>133</sup>.

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<sup>130</sup> Ibid.

<sup>131</sup> Ibid.

<sup>132</sup> PTA Annual Report 2008-2009, Available at <<http://www.pta.gov.pk/annual-reports/annrep0809/contents.pdf>> (Last accessed ,November 18, 2011)

<sup>133</sup> Dr. Fahad Ahmed, Benish Khushnood, Dr. Umar Yar, Imran Saeed Rana, Abdul Rasool Golo and Muhammad Bilal Jaffri, *Telecommunication Sector—Its Role, Contribution to FBR Revenue, Problems and Issues*. Available at <[http://www.dgtrdt.gov.pk/Research/37th\\_syndicate\\_%20reports/6.pdf](http://www.dgtrdt.gov.pk/Research/37th_syndicate_%20reports/6.pdf)> (Last accessed December 12, 2011)

This industry contributed total Rs. 82 billion in the year 2009-10. The tax includes GST, withholding and activation.

Considering all recent activities and options, it is expected that cellular companies still have good opportunities for investment –as Pakistan is an effective market. It is asserted that once 3G licensing is done, number of subscriber will be increased and this industry would become even stronger<sup>134</sup>.

### **3.7 CONSUMERS AND PTA**

Although consumer rights are one of the most crucial issues, but, unfortunately, it is one of the less talked about issues. This neglected category needs much more concentration that is being given to it. Legislation reviews clearly show that there is neither a proper channel nor a legal procedure that a consumer could employ to lodge a complaint leaving a consumer vulnerable against a powerful supplier –who is mostly rendered with all rights<sup>135</sup>. Of the worst variety, the bad thing is most of consumers are even unaware of legal remedies and their rights –and that is why they are being exploited by the authorities and operators as well<sup>136</sup>. To understand this point, consider the simple fact that there is no proof that there was ever any legislation for the consumer's welfare<sup>137</sup>. Every statute that was ever produced was dealt with pricing

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<sup>134</sup> See <<http://tribune.com.pk/story/352827/feasibility-pta-makes-a-business-case-for-3g-spectrum-in-pakistan/>> (Last accessed March 27, 2012 )

<sup>135</sup> Muhammad Sarwar khan and Abrar Hafeez, *Consumer laws in Pakistan*, Available at <<http://www.crcp.org.pk/PDF%20Files/3.pdf>> (Last accessed October 20, 2010 )

<sup>136</sup> See <<http://tribune.com.pk/story/352827/feasibility->

<sup>136</sup> Pakistan Telecommunication Authority: Best Regulatory NGN Practices. See <<http://www.itu.int/ITU-D/treg/Events/Seminars/GSR/GSR07/contributions/pak.pdf>> (Last accessed December 27, 2012)

<sup>136</sup> See <<http://www.pta.gov.pk/>> Last accessed December 27, 2012 pta-makes-a-business-case-for-3g-spectrum-in-pakistan/> (Last accessed March 27, 2012 )

<sup>137</sup> Pakistan Telecommunication Authority: Best Regulatory NGN Practices. See

issues rather being gauged with consumer's concerns.

Consumers are, unluckily, not aware of their rights producing an air of discomfort and of course consumer participation. Another fact that makes consumer's position even more vulnerable is the lack of awareness gives rise to government regulations, which are strongly in favor of government not costumer, though sometimes these regulations are portrayed to fall into purely consumer's interest –the Price Control and Prevention of Profiteering and Hoarding Act, PCPPHA 1997, is an evident proof of such practice by the government. Pakistan telecommunication authority, although has done many things that go in favor of the customers, but many are the things that remain in the circle of infeasible circumstances for the customers.

To protect consumer rights, the PTA has often issued different notifications. 'Protection from Spam, Unsolicited, Fraudulent, Obnoxious Communication Regulation 2009' as already discussed earlier<sup>138</sup>.

*"Unauthorisedly transmits through a telecommunication system or a telecommunication service any intelligence which he knows or has a reason to believe to be false, fabricated, indecent or obscene"*

would strictly be penalized under the act.

Upon a closer look, it becomes evident that the PTA has taken many remarkable steps to improve the quality of the telecom service. Although in the entire course of public utilities –whether related to the telecom sector or others –the consumers are no one but missing stake holders, but of many discouraging actions and activities of many Pakistani regulatory bodies, the PTA has done many good things for the customers. These actions do not compensate everything, though. Bound with belief for the

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<http://www.itu.int/ITU-D/treg/Events/Seminars/GSR/GSR07/contributions/pak.pdf> (Last accessed December 27, 2012)

<sup>138</sup> See <http://www.pta.gov.pk/> Last accessed December 27, 2012)

betterment in the telecom service, the PTA has a consumer complaint mechanism<sup>139</sup>. The function of this mechanism is to facilitate the consumers with a quality customer support service. The foremost objective of this system is

*"create a fair regulatory regime to promote investment, encourage competition, protect consumer interest and ensure high quality information and Communication Technology Services"*<sup>140</sup>.

According to latest stats, by the mid 2009, this mechanism cell received more than 80,000<sup>141</sup> complaints from the customers. These complaints were analyzed and redressed as well. The zonal offices of this cell could be found in Islamabad, Peshawar, Karachi, Quetta, Rawalpindi, Muzaffarabad and Lahore. The major complaints that this cell address might take account of Provision of Service, Matters related to Billing, Quality of Service, Value Added Services, Mobile Number Portability related complaints, Issues related to Operators infrastructure, Non provision of service in an area, Misleading Statements, Poor Customer Services, Verification Issues, Illegal Practices and Misuse of Service.<sup>142</sup> It is important to know that this cell does not deal with complaints regarding noise hazards/site installation of mobile towers, complaints regarding internal HR matters within the operators and complaints regarding bilateral business agreements between operator and any third party e.g. PCO Refund cases or Operator-franchise/Card Retailers relationships. The

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<sup>139</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=1275&Itemid=681](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=1275&Itemid=681)> (Last accessed March 20, 2011)

<sup>140</sup> PTA's Vision, Available at <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=444&Itemid=482](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=444&Itemid=482)> (Last accessed March 20, 2011)

<sup>141</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=444&Itemid=482](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=444&Itemid=482)> (Last accessed March 21, 2011)

<sup>142</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=233&Itemid=88](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=233&Itemid=88)> (Last accessed March 20, 2011)

procedure to deal with the complaints remains in the circle of the PTA rules and regulations i.e.

*"all the complaints are enthusiastically pursued, recorded in a dedicated database and tracked through an intense system till their coherent conclusion up to the satisfaction of the complainant and as per the existing provisions of Telecom Act, Rules and Regulations."*<sup>143</sup>

Having discussed all, it can be claimed that the PTA has taken many important decisions improving the quality of the service but the downfalls and the pace with which this regulatory body is moving cannot be overlooked<sup>144</sup>.

### **3.8 CRITICISM**

To show the both sides of the picture, it is necessary to conduct a thorough research before asserting about anything –similar is the rule that goes right for understanding the authorities and functions of the PTA<sup>145</sup>. It must be noted that the PTA is one of the most powerful regulatory bodies in Pakistan which receives a lot of funds each year from the government of Pakistan. Before privatization and after privatization things have changed but the only unchanged thing is fund and monopoly<sup>146</sup> of the regulatory body.

In a political and economical condition like Pakistan is in these days it is hard to imagine that how people survive. From hardship to jeopardy, all words that describe

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<sup>143</sup> See <[Consumer Complaint Cell Profile](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=444&Itemid=482)>

[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=444&Itemid=482>](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=444&Itemid=482) (Last accessed March 20, 2011)

<sup>144</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=233&Itemid=88>](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=233&Itemid=88)

(Last accessed March 20, 2011)

<sup>145</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=frontpage&Itemid=1>](http://www.pta.gov.pk/index.php?option=com_content&view=frontpage&Itemid=1)

(Last accessed February 20, 2011)

<sup>146</sup> See <[http://www.pakistanpressfoundation.org/news-archives/23004>](http://www.pakistanpressfoundation.org/news-archives/23004)

(Last accessed March 20, 2011)

miserable condition fit perfectly on Pakistan's corrupted individuals. Not all, but many are involved in corruption. During the most recent years 2010-2011 the Pakistan Telecommunication Authority was revealed with a report showing a big collapse. The report shows that the PTA lost Rs 68 billion<sup>147</sup>. This report was presented in the national assembly of Pakistan on July 22. This loss resulted as the PTA, on January 11, 2010, proposed to auction WLL spectrum in 1900 megahertz (MHs) band. This proposal was presented during 35<sup>th</sup> board meeting, and the board approved this proposal the same year. The PTA did not auction this spectrum as proposed causing a fiscal damage of Rs 68 billion –a shock for country's economy, for sure.<sup>148</sup>

Need of the day is to pay more attention to planning and strategy. Without an impeccable and powerful strategy it would surely be a hard nut for the PTA to cope up with the challenges that the new world of technology is bringing forth. Financial crisis has swept the whole world with a storm but it is not impossible to fight against these financial problems.

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<sup>147</sup> See <<http://www.dawn.com/2011/08/05/rs68-billion-losses-detected-in-pta-audit.html>> (Last accessed December 27, 2011)

<sup>148</sup> ibid

## **CHAPTER 4**

### **NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**

## 4.1 INTRODUCTION

To set the progress and development of a country in motion, the establishment of free and fair legal practices and influential regulatory bodies is extremely crucial. A free and legalized framework of policies and implementation of regulations that generate positive implications is mandatory not only for survival but for the sovereignty of the country as well. Of many regulatory bodies of Pakistan, National Electric Power Regulatory Authority Pakistan, NEPRA, has always been a subject of discussion.

In 1995, it was decided via presidential ordinance that an independent organization responsible to make decisions and strategy relevant to power sector, to provide a secure ambiance for the stake holders and investors and to distribute and transmit electric power without any external influence will be established. The NEPRA was notified as the Regulation of Generation, Transmission and Distribution of Electric Power on December 13<sup>th</sup>, 1997.

The main objective of the NEPRA is to provide a regulatory framework that can ensure quality, compatible, efficient and cost effective electric supply to consumers by making powerful yet reliable and easily accessible legal system<sup>149</sup>. To facilitate the investors and stake holders a competitive environment will be ensured so that consumers and investors do not feel any insecurity and various power sectors institutions will make it possible to form a harmony and balanced market where the consumers rights will be protected<sup>150</sup>. In addition to that another objective of the NEPRA is social and economic policy making for the betterment of the power

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<sup>149</sup> See <<http://www.nepra.org.pk/nepra.htm>> (Last accessed July 19, 2011)

<sup>150</sup> See <<http://www.nepra.org.pk/mission.htm>> (Last accessed July 19, 2011)

sector<sup>151</sup>. The main objective of the NEPRA is to;

- 1. Enhance capital formation,*
- 2. Improve efficiency and rationalize prices, and*
- 3. Move over time towards full competition by providing the greatest possible role for the private sector through privatization.<sup>152</sup>*

The NEPRA tries to fulfill its main responsibilities that may take account of licenses issuance for transmission, distribution and generation of electric power; enforcement of powerful regulations and operations to enhance the quality and standard of the services; establishment and approval of projects and programs for the customers' benefit and utility and determination and establishment of fair tariff<sup>153</sup> for transmission, distribution and generation of electric power.

Downfall and instability in power sector is not hidden from anyone. The electric power sector is specifically hit by many irregularities and is continuously heading towards collapse<sup>154</sup>. It is quite possible that the storm of privatization could take up this sector to betterment otherwise the facts and figures are claiming nothing is changing –especially in recent years<sup>155</sup>. Blackouts and load shedding is an evidence that this regulatory body has failed to establish a powerful regulatory framework. The NEPRA being an organization has failed too –current status show collapsed functionality of the organization<sup>156</sup>.

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<sup>151</sup> See <<http://www.nepra.org.pk/mission.htm>> (Last accessed December 09, 2011)

<sup>152</sup> See <<http://www.nepra.org.pk/nepra.htm>> (Last accessed December 09, 2011)

<sup>153</sup> See <<http://www.nepra.org.pk/tariff.htm>> (Last accessed December 09, 2011)

<sup>154</sup> See <[http://www.dailytimes.com.pk/default.asp?page=2012%5C03%5C10%5Cstory\\_10-3-2012\\_pg5\\_16](http://www.dailytimes.com.pk/default.asp?page=2012%5C03%5C10%5Cstory_10-3-2012_pg5_16)> (Last accessed March 12, 2012)

<sup>155</sup> See <<http://www.kesc.com.pk/en/news/mediacenter/current-news/pressreleaseofjune30-1.html>> (Last accessed July 4, 2011)

<sup>156</sup> See <<http://www.thenews.com.pk/Todays-News-13-13551-SC-unplugs-rental-power-projects>> (Last accessed April 02, 2012)

## **4.2 OBJECTIVES OF NEPRA**

In 1993 the Council of Common Interest, CCI, approved the strategic plan to privatize the WAPDA. In order to bring about reforms and developments in the sector of electric power, the corporatization was highly recommended<sup>157</sup>. According to this plan, the WAPDA was privatized on the basis of different companies –separate companies for the transmission and distribution of electric power supply<sup>158</sup>. The first and foremost function of this corporatization was to facilitate the consumers with the cost-effective, quality and dynamic power supply<sup>159</sup>.

## **4.3 FUNCTIONS OF NEPRA**

The main objectives and functions of the NEPRA could be listed below

- To issue licenses to the distribution, transmission and generation services.
- To determine the rates, fees, tariffs, charges and terms and conditions for the electric supply services.
- To prescribe fines.
- To ensure the quality, affordable service.<sup>160</sup>

## **4.4 DETERMINATION OF TARIFF**

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<sup>157</sup> See <<http://www.nepra.org.pk>> (Last accessed June 24, 2011)

<sup>158</sup> See <<http://www.nepra.org.pk/organogram.htm>> (Last accessed June 24, 2011)

<sup>159</sup> See <<http://www.nepra.org.pk/nepra.htm>> (Last accessed June 24, 2011)

<sup>160</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed September 20, 2011)

It is important to know that how the NEPRA determines the tariffs and what are the sectors that the NEPRA determines the tariffs of. Three are the main sectors the NEPRA determines the tariff of; these are distribution, transmission and generation.<sup>161</sup> The NEPRA has all authorities to determine tariffs, rates, charges and terms and conditions for the distribution, transmission and generation of the electric power supply<sup>162</sup>. Presently, the NEPRA is determining the distribution setup of 9 companies that also include KESC quarterly; determining the fuel rates for 9 companies that also include KESC monthly; tariff is being scrutinized for companies such as NTDC, IPPs, WAPDA and others. Tariff determination of distribution and generation companies is done on cost plus basis concept while the determination of tariff for transmission companies is done on annual rate of return concept<sup>163</sup>.

Some standards are to be focused while determining the tariff<sup>164</sup>. These standards might take account of recovery of all or part of the cost, to fulfill customer's requirements, letting GENCO to pay for the liabilities, if any, for oil and gas, to increase the salaries of the workers in the time of inflation, to employ the marginal cost principle for the feasibility of the principles, to establish the balance in tariff standards to optimize the consumer's profits<sup>165</sup>.

Though there is not lot of excellent things that the NEPRA has done for the public participation, but the steps that the NEPRA has taken for public participation may take

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<sup>161</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed October 4, 2010)

<sup>162</sup> Nepra Act 1997, S. 7 (3) (a).

<sup>163</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed September 20, 2011)

<sup>164</sup> NEPRA Act, 1997 S. 31 (2)

<sup>165</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed September 20, 2011)

account of advertisement, issuance of information directions and intervention. Three main performance standard rules were passed in different years for standard determination of distribution, transmission and generation of the electric power supply<sup>166</sup>. These standards are important because they ensure the efficient, stable and safe electric power supply. Other than above mentioned steps taken by the NEPRA, there are several other purposes that go in consumers interests, for instance, the complaints handling from an interested person against the licensee involved in the breach<sup>167</sup>, non discriminatory electric power supply to consumers<sup>168</sup> and establishment of the complaint handling system for the better service. From the year 2001 till 2010, total 1418 complaints have been received and 1350 complaints have already been addressed by the provisional offices of inspection<sup>169</sup>.

#### **4.5 COMPLAINT RESOLUTION**

To ensure quality service according to the customers' requirements the NEPRA has to watch over the licensees who are not adhering to the basic license regulations and standards the NEPRA has passed.<sup>170</sup> The complaint handling system lets the NEPRA to ensure quality and maintain the standards in the electric power supply services –to facilitate the customers<sup>171</sup>.

Any individual might include provincial government can file a (written) complaint

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<sup>166</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed September 20, 2011)

<sup>167</sup> NEPRA Act, 1997 S. 39

<sup>168</sup> NEPRA Act, 1997 S. 121 (2) (b)

<sup>169</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed September 20, 2011)

<sup>170</sup> See <<http://www.nepra.org.pk/cad.htm>> (Last accessed December 11, 2011)

<sup>171</sup> See <<http://www.nepra.org.pk/successstories.htm>> (Last accessed December 11, 2011)

against any licensee who is responsible for breach in any clause, provision or section of the NEPRA act. Prior to taking any action against the licensee or the individual against whom the complaint has been filed, the NEPRA will issue a notice. The sole purpose of the Consumer Affair Division is to safeguard consumer rights, monitor the service obligations and dispensation of justice<sup>172</sup>.

To understand the Consumer Affair Division fully, the basic role that this entity plays is to be mulled. The Consumer Affair Division ensures that the redressal attends to the complaint in the shortest possible time, the companies are facilitating the customers by providing them bills in a timely manner, there are no un-scheduled power cuts and interruptions, safety rules and regulations are being followed, fluctuation free voltage is being supplied to customers and the quality of electricity is according to the prescribed standards.

#### **4.6 THE ENERGY SECTOR IN PAKISTAN**

The energy sector in Pakistan is the combination of hydel and thermal power units – both of these sectors contributes to the generation, distribution and transmission of the power supply throughout the country. Two basic companies that regulate the hydel and thermal power of the country take account of Water and Power Development Authority(WAPDA)and Karachi Electric Supply Corporation(KESC). Two of the atomic power generating companies includes KANUUP and CHANUUP. In addition to that several are the Independent Power Producers, IPPs, and Small Power

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<sup>172</sup> Consumer Affair Division, NEPRA. Available at <<http://www.nepra.org.pk/cad.htm>> (Last accessed December 11, 2011)

Producers, SPPs<sup>173</sup>.

The government agencies whose responsibility is to ensure unrivaled power supply include Ministry Of Water and Power, Private Power and Infrastructure Board, National Electric Power Regulatory Body, Alternative Energy Development Board and Privatization Commission. Till 1958 the entire power sector revolved around only two companies, WAPDA<sup>174</sup> and KESC –the WAPDA was responsible to regulate all nation-wide electric power supply matters whilst the KESC<sup>175</sup> was limited to Karachi only. With the sweep of privatization storm that swept the whole world in early 80s, Pakistan could not fortify its institutions as well. With this shift, an evident boost was given to the private sector and the total investment in this sector was increased from 26% to 51%<sup>176</sup>.

Although boosting up the power sector might seem a hard nut to crack now, but in early 90s the government of Pakistan was persistently doing many things to enhance the power sector and improve the standards. 1992 could be regarded as an important year in the history of power sector because the same year government of Pakistan took a couple of influential initiatives for consumer interest. In the year 1992, the government of Pakistan planned out a strategy to restructure the power sector. In the light of this strategic plan the government of Pakistan was able to formulate a policy with an introduction to invite Independent Power Producers. This policy definitely induced an air of power and progress in this sector. In 1994, 19 IPPs started off with

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<sup>173</sup>See <[http://www.sari-energy.org/PageFiles/What\\_We\\_Do/activities/Current\\_Status\\_June\\_2007\\_Germany/Pakistan\\_Regulation\\_Overview.pdf](http://www.sari-energy.org/PageFiles/What_We_Do/activities/Current_Status_June_2007_Germany/Pakistan_Regulation_Overview.pdf)> (Last accessed December 29, 2011)

<sup>174</sup>See <<http://www.wapda.gov.pk/>> (Last accessed January 09, 2012)

<sup>175</sup>See <<http://www.kesc.com.pk/en>> (Last accessed January 09, 2012)

<sup>176</sup>See <[http://igisecurities.com.pk/PDF/IndepthSectorRprt/Power\\_Sector\\_Update.pdf](http://igisecurities.com.pk/PDF/IndepthSectorRprt/Power_Sector_Update.pdf)> (Last accessed December 18, 2011)

their power operations in Pakistan resulting an outcome of \$3 billion with 3500 MW capacity. Through an agreement called PPAs, these IPPs were allowed to sell electricity to the WAPDA and the KESC<sup>177</sup>. As time passed by many serious issues took root and affected the power sector. For instance, the government of Pakistan demanded the IPPs for the rate reduction which was followed by a demand by the IPPs who demanded fuel price reduction. This issue remained unsolved for many years but later on was resolved because the government involved many international donors such as IMF and the World Bank.

If all the facts and authorities of the NEPRA are hammered together, it would become evident that the NEPRA is not directly involved in privatization of the power sector or the companies or the institutions, however, it does regulate the process of privatization. The slow pace in privatizing different company is influenced by the NEPRA because the notifications regarding tariff is purely a matter that the NEPRA handles alone. In late 2005, 73% of the shares of KESC were sold to the private<sup>178</sup> investor, which was done on time because no notification delay followed up the case in regard to the NEPRA. However, another company named FESCO whose 56% shares were to be sold to the private investor by the end of 2006 is still being procrastinated. The evident reason of this delay is the notification and legal procedure the NEPRA is responsible for. Several are the companies who are waiting for the privatization<sup>179</sup> notification approval for many years but the system and strategy

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<sup>177</sup> South Asia Regional Initiative for Energy, USAID. Available at <[http://www.sari-energy.org/PageFiles/Countries/Pakistan\\_Energy\\_detail.asp](http://www.sari-energy.org/PageFiles/Countries/Pakistan_Energy_detail.asp)> (Last accessed March 26, 2012)

<sup>178</sup> See <[http://en.wikipedia.org/wiki/Karachi\\_Electric\\_Supply\\_Company#Privatization](http://en.wikipedia.org/wiki/Karachi_Electric_Supply_Company#Privatization)> (Last accessed March 20, 2011)

<sup>179</sup> See <[http://www.sari-energy.org/PageFiles/Countries/Pakistan\\_Energy\\_detail.asp](http://www.sari-energy.org/PageFiles/Countries/Pakistan_Energy_detail.asp)> (Last accessed March 26, 2012)

lacking disputes between the NEPRA and the government cannot help them but adding to the problems<sup>180</sup>.

## **4.7 IMPORTANT POWER UTILITIES IN THE POWER SECTOR:**

### **4.7.1 WAPDA**

Although there are several cases against the WAPDA proving it to be failed utility by the government of Pakistan, but before asserting anything about the utility it is better to review some other aspects too. This utility works for the water and thermal development in the country by facilitating the customers with the quality service. Some of the projects of this utility also take account of the thermal mix hydel power generation projects. All in all, these projects are to facilitate not only the customers but the government as well. The stability in the power sector can bring about improvement in agriculture, industry and others by reinstating the economy of the country. Some of the major installed capacity along with the name of the institution includes hydel with 6444 MW, GENCOs with 4675 MW, IPPs with 5772 MW, nuclear IPPs with 325 MW and rental with 150 MW<sup>181</sup>.

With an announcement of a program called vision 2025, many new improved projects have been introduced. In this regard generation capacity would be enhanced. Five hydel power projects are in the pipeline which will add up to the 9500 MW to the generation capacity. The total cost of this project is \$20.3 billion. Many other power projects are also waiting for approval or if approved waiting for the further

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<sup>180</sup> See <[http://www.sari-energy.org/PageFiles/Countries/Pakistan\\_Energy\\_detail.asp](http://www.sari-energy.org/PageFiles/Countries/Pakistan_Energy_detail.asp)> (Last accessed March 26, 2012)

<sup>181</sup> See <<http://www.wapda.gov.pk/htmls/wapdasrole.html>> (Last accessed July 23, 2011)

notification. There are more than 14 projects that are under study. These projects are thought to produce generation capacity of 20770 MW, the estimated cost of these projects is \$32.15 billion. Thermal Power Generation Companies and National Transmission & Power Dispatch Company are two basic corporate entities which govern further 14 companies related to generation and distribution of electric power supply. There are many ongoing projects as well<sup>182</sup>

#### **4.7.2KESC**

The Karachi Electric Supply Company Limited was the company that originally incorporated under the Indian Companies Act 1982. In the year 1952 the government of Pakistan took over the KESC by buying majority of its shares. The basic purpose of this company is to regulate the transmission, distribution and generation of the electric power. As mentioned earlier, 73% shares of the KESC were sold to the private investors in November 2005. The NEPRA is responsible for the distribution, transmission and generation of the electricity to commercial, industrial, residential and agricultural consumers falling under its licensed areas. This company is based in Karachi so the licensed areas are also in Karachi but some other licensed areas include entire Karachi, Gharo, Dhabeji in Sindh while in Baluchistan it covers Hub, Vindhal, Uthal and Bela.<sup>183</sup> The total area that this company covers under its license is 6000 sq km. An important thing to note is expansion of this company after its privatization. The authorities have taken up many important steps to expand this company. In 2007, a contract was approved to set up 220 MW power plant at KTPS. In 2008, a contract

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<sup>182</sup> See <<http://www.wapda.gov.pk/htmls/ongoing-index.html>> (Last accessed July 24, 2011)

<sup>183</sup> See <<http://www.kesc.com.pk/en>> (Last accessed July 24, 2011)

to expand phase- II BPQS with 560 MW capacity was set up. In addition to that, different other projects are being worked at which are going to add up 190 MW capacity to the existing power plant capacity. Four GIS grid stations were completed during the past few years. These four projects include 220 KV Baldia Grid Station (Extension), 220 / 132 KV KDA Scheme 33 Grid Station (Extension), 132 KV Old Town Grid Station (New) and 132 KV West Wharf Grid Station (New). Furthermore, nine more 32 KV GIS Hybrid Grid Stations are under the process of completion and soon would be completed.<sup>184</sup>

#### **4.8 CRITCISM**

There is nothing hidden from anybody that the NEPRA is facing some serious regulation issues and problems in the power sector. The list of these issues is quite long, but some of the major issues can be listed here<sup>185</sup>.

1. Efficiency and availability of the current power sources
2. Circular debt
3. Change from the low cost generation from the high cost generation
4. Transmission and distribution constraints
5. Loss in the distribution sector
6. Lack of ownership
7. Pressures from the investors
8. Government interventions
9. Governance issues.

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<sup>184</sup> Ibid

<sup>185</sup> See <<http://www.pc.gov.pk/hot%20links/PSR/Session-III/1-NEPRA.pdf>> (Last accessed September 20, 2011)

The power sector of Pakistan is under a continuous downfall. Many projects have been approved but no one ever saw the results. The ever growing consumption and power sector failure is not hidden from anybody. For example, consider the simple fact that only in FATA there are more than 4.2 million consumers and the total cost to purchase electricity from the WAPDA is RS. 1.2 Billion<sup>186</sup> while the total revenue collection is not even more than the 5% of the total cost. The energy crisis is spread nationwide due to inapt planning, lack of policies and poor governance. The NEPRA could have played a powerful role to enhance the power capacity by approving important projects, but unfortunately this regulatory body failed to do so. The NEPRA approved many projects which were not even capable of bringing about progress or improvement in the power sector. For evidence, the current cases in the Supreme Court of Pakistan could be considered. These cases clearly prove that though the NEPRA hired many rental companies to resolve the power crisis issue, but these companies were not able to stand the judicial scrutiny.<sup>187</sup>

It is asserted that the role of the NEPRA has not been any more effective than regulating the tariff. The policy making, restructuring and attracting investments is a total collapse. Insignificant addition to the private investors is more than a pain for the country.

The appointment of the chairman and members is not unbiased and fair. It could be claimed that if these appointments were made on fair, unbiased and unprejudiced means then things would have been much better. According to the act, the NEPRA can

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<sup>186</sup> Failure of Electricity. Available at <<http://www.dawn.com/2011/02/21/failure-of-electricity-governance.html>> (Last accessed June 11, 2010)

<sup>187</sup> Rental Power Case

take assistance and advice<sup>188</sup> from the public sector development. On the contrary, the NEPRA never lend ears to the public development sector rather it continued moving with the same pace and same failed policy. Due to these failure policies not only the government of Pakistan but the consumers as well were forced to purchase and generate the electricity being generated from the furnace oil –which is of course an expensive resource for generation of the electricity and because of this generation the total loss increased to RS. 4 billion.

Another issue with the power sector of Pakistan is the resources for the production of electricity. More than two third of the resources are the fossil fuel. Noteworthy point is this source is extremely expensive because it cannot be reused, recycled or renew.

An excellent resource to generate electricity is wind energy. According to a research conducted in 2002, Pakistan has a capacity to generate 35,000MW. The NEPRA issued license to five companies which were to generate electricity using the wind energy and these projects were to start by the end of 2010. Unfortunately, everything even after the completion of paper work came to an end. This all happened because of poor policies and extra demands of the NEPRA and the government of Pakistan that the investors were to leave the projects without caring about their security fee. Now, what could be found at the place of power plants is monument of two blade-less wind towers. Tariff, bad economic and political situation is surely a great hindrance in development in the power sector.

The power sector is under severe loss and no regulatory body seems to address this very problem. Every year the total cost on the electric power makes 2.5% on the GDP. Recently, the government of Pakistan applied for a \$2 billion loan from the world bank

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<sup>188</sup> NEPRA Act, S. 37.

which was instantly rejected –seeing the current political and economic scenario the world bank rejected it. 55% of the total population of Pakistan has an access to electricity –even this percentage of population is facing severe damage, power shortage and energy cut downs. Currently, the power shortage has reached to 3 GW.

The NEPRA is a failed regulatory body when it comes to policy making<sup>189</sup>. It is for sure that to meet the ever increasing requirements it is necessary to formulate an authoritative policy<sup>190</sup>. It can be asserted that the current power shortage could be overcome if the NEPRA works on management information system, forecasting and planning, setting up new generation stations, setting up new grid systems and distribution systems, overcoming the power supply demand due to rapid population growth and installation of new transmission systems. Although each point has its own value and is not obscure, but the NEPRA is overlooking all these things –due to lack of planning and strategy<sup>191</sup>.

It is deemed that Pakistan has a capacity of 40,000 MW of generating electricity using the hydro energy, but currently Pakistan is only generating 6500 MW out of this hydel power. It is also feared that if Pakistan would not build more dams, the short fall of 108 million acres feet would surface out by the end of 2013<sup>192</sup>.

According to a report the current losses are 25% of the total power which is being generated in the country. The NEPRA can surely introduce not only long term but

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<sup>189</sup> See <<http://tribune.com.pk/story/264842/nepra-sees-no-relief-from-hours-long-power-outages/>> (Last accessed October 4, 2011)

<sup>190</sup> See <<http://www.pakistantoday.com.pk/2012/03/20/uncategorized/nepra-again-increases-power-tariff/>> (Last accessed March 21, 2012)

<sup>191</sup> Ali Salman, *Energy Policy: Enabling Efficiency and Investment*. Available at <<http://developmentpool.org/downloads/Concept-Notes&Working-Papers/Energy%20Policy.pdf>>

(Last accessed October 4, 2011)

<sup>192</sup> Syed Haroon Haider Gillan, *Energy Crisis in Pakistan*, Available at <[Mhttp://haroonhaider.com/2011/08/06/energy-crises-in-pakistan/](http://haroonhaider.com/2011/08/06/energy-crises-in-pakistan/)> (Last accessed October 4, 2011)

middle term and long term processes to overcome the power crisis in the country<sup>193</sup>. Market barriers, financial barriers, poor infrastructure, institutional barriers, poor IT access, lack of training, lack of awareness, and lack of determination are the major causes of power crisis in the country. The NEPRA needs to work hard on these issues otherwise the power shortage could be even worse in the coming years.

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<sup>193</sup>Ali Salman, *Energy Policy: Enabling Efficiency and Investment*. Available at <http://developmentpool.org/downloads/Concept-Notes&Working-Papers/Energy%20Policy.pdf> (Last accessed October 4, 2011)

## **CHAPTER 5**

### **MAJOR REGULATORY BODIES IN PAKISTAN: OGRA, PTA AND NEPRA –COMPARATIVE ANALYSIS**

## 5.1 INTRODUCTION

There would never have been a requirement for a regulatory body throughout the world if the consumer rights were of no importance. Every country has a council which protects the consumer rights and so does Pakistan. There is no entity to protect the consumer rights in Pakistan under federal statutory. This is basically because there is no jurisdiction for consumer rights protection under federal law<sup>194</sup>.

It is still not decided that where the consumer protection law falls. This matter is still under debate. However, it is some way or the other believed that consumer rights protection falls under the provincial law and many organizations are still debating over this very matter<sup>195</sup>.

As discussed, there is no particular entity to protect the consumer rights in Pakistan, a private organization is considered. Consumer Rights Commission Pakistan CRCP is an independent, right-based, non-government, civil initiative organization which works specifically for fortification of the consumer rights. Since the organization is non-government and non-profit therefore it works mainly through fund-raising. No industry or commercial sector support CRCP<sup>196</sup>. This organization was established in 1998 under the Trust Act 1882. The requirement of an organization such as CRCP is crucial -because the current political and economic system in Pakistan proves that consumers and citizens of Pakistan are presenting a miserable picture with a million of problems in both government and private sector. Informal and monopolistic nature of

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<sup>194</sup> Under 1973 constitution consumer protection law neither falls under the federal legislative list nor under concurrent legislative list.

<sup>195</sup> Hafiz Aziz Ur Rehman, Abdul Hafeez and Mudassar Alam, *A Policy Vision –Principles of Consumer Protection in Pakistan* (The network publication, 2005)

<sup>196</sup> See <http://www.crcp.org.pk/introduction.htm> (Last accessed September 14, 2011)

the market is of course causing a disturbance amongst the consumers regarding consumer rights<sup>197</sup>; the sense of disbelief upon the private sector is lesser when the government sector is taken into account and compared with private sector. Consumers do feel private sector is better than government sector in safeguarding consumer rights. Another thing that clearly proves that it is mandatory to have an organization to protect consumer rights is when there is no such organization to protect the consumer rights, the providers and suppliers tend to provide substandard and hazardous services. Also, in the past few years an escalation in disbelief has been seen due to unchecked corporatization and deregulation, which definitely affect the market and influence the overall economy of a country. Major areas which come under this organization might take account of communication, education, energy, environment, financial services, food & edibles, governance & legislation, health, housing, law & regulatory regimes, public utilities, trade, transparency, water & sanitation and others. To fortify the consumer rights in Pakistan the CRCP<sup>198</sup> has multifarious services for example, five are the prominent features each comprising of further effective services. Five types of the CRCP services include research and publication; governance and legislation affairs; advocacy, training and mobilization; market and corporate practices; and law and public interest practices. Effective sources that help protecting the consumer rights comprise of media coverage, consumer forums, TV programs, seminars, training

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<sup>197</sup> Muhammad Sarwar Khan and Abrar Hafeez, *Consumer Law in Pakistan part-I*, Available at <http://www.crcp.org.pk/PDF%20Files/3.pdf> (Last accessed September 14, 2011)

<sup>198</sup> See <http://www.crcp.org.pk/introduction.htm> (Last accessed September 14, 2011)

workshops and others.<sup>199</sup> There are also some other organization working like CRCP i.e The Network<sup>200</sup> etc.

At this point it becomes necessary to compare the major regulatory bodies in Pakistan that how these regulatory bodies are trying or even protecting the consumer rights. Here in this section the major regulatory bodies are under discussion, important parts of their provisions would be shed light on. In the essence of this argument only the NEPRA, OGRA and PTA would be compared to each other.

Prior to starting off with the compare and contrast of the characteristics and provisions that each of the considered regulatory body provides, a brief comparison with United Nations Guidelines For Consumer Protection 1985 will be taken into consideration. The foremost reason or precisely objective of this powerful document is to protect the consumer rights all over the world –especially in the developing countries. The consumers in the developing countries do face difficulties pertaining to the bargaining rights, educational levels, economic terms, and other imbalances in rights protection<sup>201</sup>. United Nations Guidelines for Consumer Protection 1985 provides guidelines to the countries to maintain an adequate system to protect the consumer rights in their respective countries, to facilitate manufacturing and transmission of goods and services, to sustain a high level of security for upholding the ethical conduct, to help other countries to overcome non-ethical practices and abolition of illegal business practices in the market and to facilitate the development and growth in

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<sup>199</sup> ibid

<sup>200</sup> See <<http://www.thenetwork.org.pk/>>

<sup>201</sup> United Nations Guidelines for consumer protection 1985. Available at <<http://www.un.org/documents/ga/res/39/a39r248.htm>> (Last accessed September 20, 2011)

the market so that consumers get better opportunities.<sup>202</sup>

General principles of this document take account of health and safety measures, protection and promotion of economic interest of consumers, consumer education, accessibility of consumer redress, freedom to form organizations and groups to expand the legitimate business, facilities and good infrastructure, monitoring of consumer right policies, and conduct of research in universities and colleges so that upcoming generation may get acquainted with the new technology to improve business and economical opportunities<sup>203</sup>. General principles might become clearer by considering the following provisions from the guidelines.

*'Governments should develop, strengthen or maintain a strong consumer protection policy, taking into account the guidelines set out below. In so doing, each Government must set its own priorities for the protection of consumers in accordance with the economic and social circumstances of the country, and the needs of its population, and bearing in mind the costs and benefits of proposed measures'.*

The guidelines put emphasis on taking steps to ensure and even to improve the existing safety measures for the consumers. Manufacturers are required to ensure the quality and safety of the products, goods and services before supplying them to the market. Adequate policies and measures should be taken in order to make the manufacturing, production and distribution of the goods safe and free of any hazards. Policies should be made in such a way that if the suppliers or manufacturers get into some unseen trouble, they might be able to notify the relevant or corresponding authorities without any procrastination. It is the foremost duty of the government to

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<sup>202</sup> United Nations Guidelines for consumer protection 1985. Available at <http://www.un.org/documents/ga/res/39/a39r248.htm> (Last accessed September 20, 2011)

<sup>203</sup>*Ibid*

make consumers aware of such unforeseen hazards<sup>204</sup>.

It is strictly the responsibility of the government to introduce such policies and laws that protect consumer rights if any goods or services are found to be defective<sup>205</sup>. If the goods are defective and are already supplied to the market then the manufacturers and distributors are to modify or change or replace the products at the earliest –if replacing or modification is not possible then consumers must be informed and must be compensated. The groups or organizations which are damaging the economic interests of the consumers, such as misleading claims, adulteration in food or other services frauds, must be strictly penalized<sup>206</sup>. Utility, durability, feasibility and reliability are the factors there must be no compromise on while making the policies. Promotional campaign and marketing must also be according to the policies and law prescribed by the government. It is the responsibility of the government to keep a constant check over the distributors and suppliers to ensure the consumer rights are being protected. Formal and informal procedures should be introduced in such a way that when consumers need them these procedures are available for redress. These services might take account of complaints procedures and advisory services. Educating masses about the general laws and consumer protection laws must become mandatory. The consumer law must be integral part of the curriculum<sup>207</sup> so that no distributor or supplier could deceive the consumer by any illicit mean or illegal practice. There is an exclusive clause for protection of consumer rights at some. This

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<sup>204</sup>United Nations Guidelines for consumer protection 1985. Available at  
<http://www.un.org/documents/ga/res/39/a39r248.htm> (Last accessed September 20, 2011)

<sup>205</sup>Ibid

<sup>206</sup>Ibid

<sup>207</sup>United Nations Guidelines for consumer protection 1985. Available at  
<http://www.un.org/documents/ga/res/39/a39r248.htm> (Last accessed September 20, 2011)

is because in developing countries there are certain areas which require special consideration regarding food, pharmaceutical and water. International cooperation is an imperative point while discussing the consumer protection law –because without it consumer protection law would not be possible<sup>208</sup>.

## **5.2 COMPARATIVE ANALYSIS OF OGRA, PTA AND NEPRA –A QUICK OVERVIEW**

If it is claimed that the oil and gas sector is the least reformed industry or sector, it won't be wrong<sup>209</sup>. The current oil and gas condition throughout the country is an evident proof that the government of Pakistan is failed to introduce policies to establish sound development in the sector and protect consumer rights. It can easily be asserted based on the points the entire oil and gas sector is monopolized, prices are controlled, monopolists are vertically integrated and state controls the domestic market. All these points go against the development and expansion of this industry.

The OGRA is a regulatory body to control the oil and gas sector<sup>210</sup>. Apparently, this regulatory body does not seem to help or regulate this sector anyway<sup>211</sup>. Although, supposedly, this regulatory body was meant to regulate the legal and commercial functions, to maintain control over infrastructure and to sustain the flow of domestic requirements and export commitments, but it seems that none of above mentioned clause has ever been worked upon –because the current oil and gas condition of the

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<sup>208</sup> Ibid.

<sup>209</sup> See <<http://www.cssforum.com.pk/css-compulsory-subjects/current-affairs/current-affairs-notes/4082-energy-crisis-pakistan.html>> (Last accessed January 11, 2012)

<sup>210</sup> See <<http://www.ogra.org.pk/index.php>> (Last accessed January 11, 2012)

<sup>211</sup> See <<http://www.newspakistan.pk/2012/01/25/Ogra-burdening-the-consumers-with-new-tariffs-Pakistan-oil-and-gas-sector-update/>> (Last accessed January 20, 2012)

country show a dismal picture of total failure. With acceleration in domestic demands it becomes of importance to pay close attention towards exponentially increasing requirements. Cutting down fuel supply or load shedding is, of course, no solution in any condition. Long term policies and strategy is required not only to fulfill the current requirements but also match the upcoming requirements. Foreseen demands<sup>212</sup> could be calculated and things could be planned easily. Domestic gas tariff is increasing with every passing day because there is no rule to regulate the internal gas price.

Although the average daily oil production is round about 3,800 net barrels and the average daily production of natural gas is 73<sup>213</sup> net million cubic feet, but due to a huge difference between the export and import value the production and development gap is immensely broadened. Seeing the current scenario and keeping everything under consideration this sector needs to reduce import dependence, which is of course one of the major sources for the downfall of this sector.<sup>214</sup>

Role of the OGRA seems irrelevant to discussion when policy making and law regulatory activity is considered. A strong government influence and lack of transparency is surely a setback for this regulatory body as whenever government wants it raises the price and the regulatory body remains motionless. For example, the latest news show prime minister's proposal of 15% hike on natural gas price for both domestic and commercial purpose. If this news is specifically taken into account it will be evident that this price increase will result in 69% on CNG, 65% on petrol and

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<sup>212</sup> Harry J. Longwell, *The future of the oil and gas industry: past approaches and new challenges*, 2002. Available at

[<http://localenergy.org/pdfs/Document%20Library/Exxon%20Future%20of%20Oil%20and%20Gas.pdf>](http://localenergy.org/pdfs/Document%20Library/Exxon%20Future%20of%20Oil%20and%20Gas.pdf) (Last accessed January 11, 2012)

<sup>213</sup> See <<http://www.mprn.gov.pk/>> (Last accessed January 11, 2012)

<sup>214</sup> See <<http://www.mprn.gov.pk/>> (Last accessed January 20, 2012)

96% on feed stock price<sup>215</sup>. Noteworthy is the fact that more than 2.5 million vehicles are CNG fitted and by these actions of course no one else is going to suffer but consumers<sup>216</sup>.

In the essence of above mentioned arguments, it is mandatory for the OGRA to propose such provisions that take out this regulatory process from monopolized to liberalized system. If the regulatory bodies pertaining to the energy sector are considered, there are remarkable examples. In Britain two regulatory bodies were established which were later merged into one. In Germany two self regulatory bodies are working<sup>217</sup>. Upon a closer look it will become evident that the main objective of these regulatory bodies is not just energy planning rather it is competition administration. Nothing extraordinary happened there in Britain except the policy change that basically reinforced the sector anew. For instance, before liberalization the institutions were nationalized. The first step the Britain government took was to sell the British Gas Corporation and then Electricity Corporation was sold. After selling these corporations the Britain government formed an independent regulatory body to regulate the energy system in the country –OFGAS and OFFER are the two respective names. Later on, to improve the quality of the service, protect consumer rights, form new effective policies and control the industry under the Gas Act 1995 the gas market was opened to administrative competition. With this action, many new investors and companies stepped in with innovative ideas, however BG stood out as a unified

<sup>215</sup> See <<http://www.pakistantoday.com.pk/2011/07/15-gas-price-hike-on-the-cards/>> (Last accessed September 12, 2011)

<sup>216</sup> See <<http://www.defence.pk/forums/economy-development/112758-pakistan-largest-cng-user.html>> (Last accessed June 7, 2011)

<sup>217</sup> Von Dominik Bollhoff, *Development in regulatory regimes –an Anglo German comparison on telecommunication, energy and rail*, 2002/5, Available at <[http://www.coll.mpg.de/pdf\\_dat/2002\\_05online.pdf](http://www.coll.mpg.de/pdf_dat/2002_05online.pdf)>

company. Seeing BG being a unified company, the government even demerged this company into two companies. This action strictly shows that the Britain government took extremely bold steps to demolish the monopoly of just one company or institution<sup>218</sup>.

As discussed in the above mentioned section it is the need of the day to take bold steps so that the consumer protection law could be reinstated effectively. Just like the OGRA the NEPRA has also failed to protect the consumer rights. Prior to privatization and corporatization of this sector, energy crisis was not this severe as it is nowadays<sup>219</sup>. Inadequate transmission infrastructure and poor generation capacity has led to unsatisfactory performance of the major power supply organizations in Pakistan<sup>220</sup>. Of course there are several factors that influence the power sector and even the power crisis in Pakistan is not regulated on the basis of just one single reason. With massive losses, a regulatory body the NEPRA<sup>221</sup> was formed in 2007. Seeing power crisis in Pakistan the need of working upon this sector was felt. Now the WAPDA<sup>222</sup> has been divided into different companies each responsible for individual generation, distribution and transmission task based on accepted act<sup>223</sup>. Currently, the WAPDA is divided into different thermal companies namely GENCOs, DISCOs, NTDC; also the PEPCO is responsible for privatization in the energy sector; the hydroelectric power

<sup>218</sup> Von Dominik Bolhoff, *Development in regulatory regimes –an Anglo German comparison on telecommunication, energy and rail*, 2002/5, Available at [http://www.coll.mpg.de/pdf\\_dat/2002\\_05online.pdf](http://www.coll.mpg.de/pdf_dat/2002_05online.pdf) (Last accessed June 7, 2011)

<sup>219</sup> Afia Malik, *Effectiveness in regulatory sector in the power sector of Pakistan*. Available at <http://www.pide.org.pk/pdf/Seminar/Seminar%2066.pdf> (Last accessed March 12, 2011)

<sup>220</sup> Great deterioration in the governance and massive losses in KESC and WAPDA has adversely affected the power sector of Pakistan.

<sup>221</sup> See <http://www.nepra.org.pk/legislation.htm> (Last accessed December 11, 2011)

<sup>222</sup> See <http://www.wapda.gov.pk/htmls/auth-index.html> (Last accessed December 11, 2011)

<sup>223</sup> The NEPRA Act 1997 and the WAPDA Act 1998

operations and development are still responsibility of the WAPDA<sup>224</sup>. The NEPRA has, definitely, tried to bring about reforms to change the dismal picture of the electric and power crisis throughout the country, but of course greater reforms are required to cover up all the losses and to protect the consumer rights in Pakistan.

If the role of PTA<sup>225</sup> is considered, consumers are somewhat in better condition. This could be because of the evident reforms in the telecommunication sector. Of course, things were not like they are now. It could now easily be asserted that the major contribution to these reforms was basically made by the government by privatizing this sector. As new national and international investor plunged in the telecommunication sector, the level of competition was raised and the new investors introduced such transformations and improvements that really helped the consumers nationwide. The list of the PTA achievements is quite longer when compared to the OGRA or the NEPRA<sup>226</sup>.

Now a brief comparative analysis of all these three regulatory authorities will be taken into account –comparison will be based mainly upon the achievements, safeguard of consumer rights, protection of economic interest, consumer satisfaction, effective service and others.

### **5.2.1 PROTECTION OF CONSUMER ECONOMIC INTEREST**

When consumer rights protection is considered their economic interest is always kept

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<sup>224</sup> See <<http://www.nepra.org.pk/News%20Letter/newsletter%2020%20vol.pdf>> (Last accessed December 22, 2011)

<sup>225</sup> See <<http://www.pta.gov.pk/index.php?Itemid=1>> (Last accessed January 02, 2012)

<sup>226</sup> Achievements of PTA 2009-10. Available at <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=1694:achievements-2009-10&catid=114:initiativesachievements&Itemid=777](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=1694:achievements-2009-10&catid=114:initiativesachievements&Itemid=777)> (Last accessed December 14, 2011)

on the top of the list. Similarly, when the comparison between the three regulatory bodies in Pakistan is taken into account, it becomes obvious to see which regulatory body has effectively protected the economic interests of consumers. In this regard tariff and price control fall in the category of major economic interest of the consumers.

Of course it is the valid point that Pakistan is not the only country where escalation in oil prices is seen rather it is an international affair by which most of the countries have been hit. Since 2003 international oil price is steadily rising<sup>227</sup>. The oil demand is rising exponentially in each country but the oil demand is more in the developing countries<sup>228</sup>. There could be several reasons for this continuous rise in oil price in the international market, low level of stocks, high risk premium, geopolitical instability and others. Of course the domestic market is directly influenced by the international market but even then it is foremost duty of the government of Pakistan to formulate such policies which can effectively backup these price hikes in the international market. Pakistan State Oil is the biggest operating company in Pakistan which owns 78% shares of the black oil market and 57% shares in the white oil market<sup>229</sup>.

Considering the latest news only fuel crisis comes on the top of the list. The regulatory body like the OGRA is completely a failure to regulate the tariff and prices to protect the economic interest of the customers. Instead of controlling the everyday price hike, which is of course not in accord to the international trend, the

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<sup>227</sup> Afia Malik, *How Pakistan is Coping with the Challenges of High Oil Price*. Available at <[http://mpra.ub.uni-muenchen.de/8256/1/MPRA\\_paper\\_8256.pdf](http://mpra.ub.uni-muenchen.de/8256/1/MPRA_paper_8256.pdf)> (Last accessed March 11, 2012)

<sup>228</sup> Since 1990 to 2003 the worldwide oil demand has increased at the rate of 1.3 percent while during the same years the oil demand has been 40 percent. According to ADB 2005 the oil demand in the developing countries would increase to 70 percent by the end of 2030.

<sup>229</sup> Afia Malik, *How Pakistan is Coping with the Challenges of High Oil Price*. Available at <[http://mpra.ub.uni-muenchen.de/8256/1/MPRA\\_paper\\_8256.pdf](http://mpra.ub.uni-muenchen.de/8256/1/MPRA_paper_8256.pdf)> (Last accessed March 11, 2012)

OGRA has allowed to increase 14% on natural gas price of Sui Northern Gas Pipelines Limited (SNGPL) and 11% of Sui Southern Gas Company Limited (SSGCL)<sup>230</sup>. This sudden shock is a hard slog for customers to carry.

When the role of NEPRA is considered no difference could be surfaced out as this regulatory body is also not very successful in protecting economic interests of consumers. The 4% increase in electricity rates is no different for the customers<sup>231</sup>.

Having this said, the role of the NEPRA is not very effective.

The PTA is some way or the other better than the OGRA and the NEPRA, although Monopoly pricing and unfair competition is hazardous for the consumers fixed landline service is still monopolized. When the price and tariff control is talked about it could easily be asserted that the PTA has taken many bold steps to control tariff and price<sup>232</sup> for instance telecom footprints, sim verification, stolen IMEI search, Rabta Ghar, QoS Surveys, consumer guides and others.

### **5.2.2 CONSUMER SATISFACTION**

With continuous price hike, power cuts and unsatisfactory service consumers are really disappointed by the services, Zubair Motiwala said<sup>233</sup>.

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<sup>230</sup> See <<http://www.pakistantoday.com.pk/2011/08/sui-companies-seek-17pc-increase-in-gas-tariff/>> (Last accessed December 11, 2011)

<sup>231</sup> See <<http://www.dawn.com/2011/11/25/gas-electricity-tariff-hike-on-the-cards.html>> (Last accessed December 11, 2011)

<sup>232</sup> See <[http://en.wikipedia.org/wiki/Communications\\_in\\_Pakistan#Mobile\\_telecommunications](http://en.wikipedia.org/wiki/Communications_in_Pakistan#Mobile_telecommunications)> (Last accessed December 8, 2011). The government of Pakistan privatized most of the telecommunication sector by which this sector has improved immensely. Previously the local call and international call rates were not affordable at all but with the advent of multinational telecom companies not only local but also international rates have been reduced. However, non-privatized sector the PTCL is still not taking effective steps in consumer economic interest.

<sup>233</sup> See <<http://tribune.com.pk/story/102472/nepra-ogra-penalise-consumers/>> (Last accessed February 19, 2011)

*“Instead of correcting the faulty system, they actually create more problems,” he said, asking “how can these bodies allow an increase in power tariff to make up for electricity theft”<sup>234</sup>*

On the other hand the Consumer Rights Protection Commission CRCP has shown its strong concerns and reservations for the OGRA and the NEPRA for their unsatisfactory performance. However, there are several consumers who do not show their deep concerns over the telecommunication services. But the other concerns that the CRCP shows are about the consumer rights protection for both the NEPRA and the PTA<sup>235</sup>. Establishment of Consumer Complaint Cell and Consumer Protection Directorate is a lucid example<sup>236</sup>.

### **5.2.3 FAIR AND ACTIVE COMPETITION**

It is for sure that the consumer rights could only be protected if the government ensures fair and active competition in the market. Different types of monopolies, duopolies, oligopolies and other types of competitions are definitely against the consumer interest<sup>237</sup>. Monopoly pricing and unfair competition is hazardous for the current power situation then there would not be any requirement of establishing competition. The basic reason for the establishment consumers in every way because it not only influences the market adversely but the production and distribution of the goods and services as well. The monopoly set-up does not let consumers utilize more

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<sup>234</sup> *Ibid*

<sup>235</sup> PTA S. 4(c) and S. 6(f). NEPRA, S. 7 (6) and S. 31(3) (b).

<sup>236</sup> See <[http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=444&Itemid=482](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=444&Itemid=482)> (Last accessed December 22, 2011)

<sup>237</sup> Sustainable Development Policy institute, *Competition Regime in Pakistan –Waiting for a Shake-Up*, 2002, Available at <<http://cuts-international.org/Pakistan-report.pdf>> (Last accessed March 12, 2012)

of the services even though they are willing to pay more for the extra services. The resource gap has definitely increased in the past years as Pakistan has failed to improve revenues and expenditure requirements. When the competition in the oil sector is taken into account usually the % share of total sales, year established, ownership structure, % market share, number of employees, downstream capacity ('000 b/d), oil production ('000 b/d), comparative company analyses and rankings by US\$ sales and % market share is evaluated<sup>238</sup>. Unfortunately, the OGRA has somewhat failed to provide sufficient active competition to the market because of its monopolized legal framework. Taking the electric power sector into account the situation is not even better. Though PEPCO regulates the competition in the electric power sector but this sector is still monopolized, corporatization could be helpful. If the NEPRA was regulating the rules and policies and the current power situation then there would not be any requirement of establishing competition. The basic reason for establishment of competition arises when the regulatory bodies or markets fail to work properly<sup>239</sup>. After privatization active competition in the electric sector has immensely increased and would continue to grow if the pace of privatization is increased and the government of Pakistan pays heed towards the effective policy making. In case of the PTA, the active and fair competition is evident. Soon as the telecommunication sector was privatized more and more companies started investing in this sector and so this sector improved much. Fair and active competition for the customers benefit is greater in the telecommunication sector as compared to oil & gas and electric power sector.

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<sup>238</sup> Competitive Landscape. Available at <<http://www.businessmonitor.com/oilgas/pakistan.html>> (Last accessed March 12, 2012)

<sup>239</sup> Sanjaya Lall and John Weiss, *Industrial Competitiveness: The Challenge for Pakistan*, 2003, Available at <<http://ntfc.org/reports/Industrial%20Competitiveness%20-The%20challenge%20for%20Pakistan.pdf>> (Last accessed January 12, 2012)

#### **5.2.4 EDUCATION AND AWARENESS FOR CONSUMERS**

Education and awareness pertaining to services and products is crucial and also is a way to keep in touch with customers as well. Upon a closer look and comparing three regulatory bodies<sup>240</sup> together it becomes obvious that each one of them is trying to keep in touch with customers in their own ways. The official website<sup>241</sup> of the OGRA has latest oil prices, latest consumer gas price, latest press releases, latest well head gas prices, pump wise oil prices and OGRA Webmail. In addition to that the structure, ordinance, licenses, annual reports and rules and regulations are also mentioned, which is of course a great source of customer awareness. On the other hand, the NEPRA has its own mode to communicate and educate the customers. The latest press releases, annual reports, licenses, publications, and latest news updates are available<sup>242</sup>. In the case of PTA, the process of educating consumers is made more comfortable. The very first glance upon the official website<sup>243</sup> shows that the PTA is more user friendly. Latest news updates, reports, press releases and rules and regulations are in access.

#### **5.2.5 AVAILABILITY OF ACTIVE REDRESS**

Availability of active redress is extremely important so that customers remain in contact and updated and can easily submit their complaints. Fortunately, the major regulatory bodies in Pakistan which are the OGRA, NEPRA and PTA have active redress facility for the customers.

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<sup>240</sup> OGRA, NEPRA and PTA

<sup>241</sup> See <<http://www.ogra.org.pk/>> (Last accessed January 12, 2012)

<sup>242</sup> See <<http://www.nepra.org.pk/>> (Last accessed January 12, 2012)

<sup>243</sup> See <<http://www.pta.gov.pk/>> (Last accessed January 12, 2012)

## **CONCLUSION AND RECOMMENDATION**

Having the role of the major regulatory bodies discussed it becomes obvious that the current economic crisis is highly influenced by the effective role of the regulatory bodies in a country. If a legal framework is available then there is no point of any sort of crisis in a country because the country gets strong enough by effective policies to backup itself and get out any crisis. Of course, the government of Pakistan is not alone responsible for the current crisis because the regulatory bodies are there. However, if the regulatory bodies are not independent to take independent decisions and establish free, unbiased and unprejudiced competition governed by effective policy then these regulatory bodies become useless. Privatization has definitely affected the working of the organizations and has mostly enhanced the services. It is believed that if the government of Pakistan privatized most of the sectors and get rid of monopolized systems then the regulatory bodies would be able to work more efficiently. In a nutshell, upon an in depth and detailed analysis of each regulatory body and brief comparative analysis shows that there are loopholes and room for improvement. However, the PTA is quite better than the OGRA and the NEPRA when customer satisfaction, active competition, protection of customer rights, presence of effective redress and efficient service is talked about.

Another question that might be of great importance in regard of recommendations or suggestions that could at least make the legal framework better or which could at least help enhancing the current working of the regulatory bodies is how the consumers are benefitted. It could be asserted that if the policies are made by keeping the consumer interest in eyes then there is no way to miss out anything. And this action will

definitely pave a way to better future –for benefit of the consumers. Though different parts of acts –related to all three regulatory bodies—consumer rights have an exclusive place, but of course there are many things which are missing or need to be improved, for the benefit of consumers. There is a strong requirement of enhancing the sections pertaining to consumer safety, right to speak, right to be informed, right to be heard, right to be educated, right to redress, right to have basic rights and right to a healthy environment. It is just impossible to neglect an imperative part such as consumer right from any act or legal framework. We can blindly say that the developed countries have given special attention to consumer protection rights. Also the developing countries like Thailand<sup>244</sup>, Taiwan<sup>245</sup>, Sri Lanka<sup>246</sup>, Mongolia<sup>247</sup>, Korea<sup>248</sup>, Indonesia<sup>249</sup>, China<sup>250</sup>, Malaysia<sup>251</sup>, India<sup>252</sup> and others have accelerated the process of making an impeccable and indispensable legal framework for the consumer protection.

Of many common misconceptions, I want to clarify some of them. When the independence of the regulatory bodies is talked about, it should not be the independence wholly of the regulatory bodies without any influence of the government. Legislature forms a unique set of rules –all regulatory bodies need to abide by the rules set by the Executive branch or the policy makers. Judiciary can simply scrutinize every action taken by any regulator. Secondly, the authority and legal framework has to be clearly studied, however.

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<sup>244</sup>Consumer Protection Act, 1979

<sup>245</sup>Consumer Protection Act, 1994

<sup>246</sup>Consumer Protection Act, 1979

<sup>247</sup>Consumer Protection Act, 1991

<sup>248</sup>Consumer Protection Act, 1980

<sup>249</sup>Law on Consumer Protection, 1999

<sup>250</sup>Law on Protection of Consumer Rights and Interests, 1993

<sup>251</sup>Consumer Protection Act, 1999

<sup>252</sup>Consumer Protection Act, 1986

There should be professionals –non executive and independent –who should bring about their expertise and skill. The selection of the chief executives of the regulatory bodies must be done transparently. Hiring of professionals, well informed, educated and well versed, from all over the globe should be done to train the professionals present in the country.

The advanced technology is increasing the consumer needs and the consumers are getting more advanced. Keeping this advancement in view, not only distributors, buyers and sellers but also the government and the policy makers are to get familiarized with new ways to protect consumers by providing them rights that could protect their interests.

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