



U-Space Communications

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NICTA
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NCD

Email: consultation.submission@nicta.gov.pg

Dear Consultation Team,

Reference: Responding to Public Consultation Draft Service-Specific Pricing Principles for Declared Wholesale Services (Declarations No. 1, 2, and 3 of 2025)

We welcome the opportunity to provide comments on NICTA's draft Service-Specific Pricing Principles (SSPPs) and methodology for the declared wholesale services. Our submission addresses each of the consultation questions raised in the paper. We support NICTA's objective of ensuring cost-based, transparent, and efficient pricing that promotes competition and sustainable investment in Papua New Guinea's ICT sector.

Detailed Responses to Consultation Questions

Question 1. Do you agree with NICTA's view that either the cost modelling approach or the benchmarking approach could be consistent with the General Pricing Principles? If so, do you agree with NICTA's preference for using a cost modeling approach? Please explain your answer.

Yes, both can fit the law. But cost modelling is better because it uses PNG's own data and shows the real costs. Benchmarking can help only if the countries compared are similar to PNG.

Question 2. Do you agree with NICTA's view that either approach, top-down, bottom-up, or hybrid for cost modelling may be used? Please explain your answer.

All three can be used. Top-down uses company accounts, bottom-up builds a model from scratch, and hybrid mixes both. Using whichever fits, the data makes sense.

Question 3. Do you agree with NICTA's view that it should use either a LRIC+ of a FAC approach that includes fair and reasonable common and joint costs in its cost model? Please explain your answer.

Yes, NICTA should use either LRIC+ or FAC, but must include fair shares of joint and common costs. Leaving them out would make prices unrealistic.

Question 4: Are you in agreement with NICTA's view that the use of current cost accounting (CCA) to value the capital assets used for the supply of the Declared Services would reflect the efficient costs of those assets, and that historical accounting costs would not?

We strongly support **current cost accounting (CCA)**. Historical costs are outdated and don't show the real economic value of assets. CCA reflects efficiency.

Question 5: Do you agree with the proposed approach for valuing assets by either (i) using the cost of replacement with the modern equivalent asset, or (ii) use as the cost of replacement, the economic cost of the depreciated assets in use? Please explain your answer.

The model should reflect PNG's real geography and network layout. Using a simplified but realistic design helps calculate fair costs.

Question 6: Do you agree that NICTA could use either a Scorched Earth, Scorched Node, or a Modified Scorched Node approach? Please explain your answer.

Yes, using a "model operator" makes sense. It avoids depending only on one company's data and ensures efficiency is considered.

Question 7: Do you agree that NICTA should favor using either a Scorched Node approach or a Modified Scorched Node approach if there is sufficient information about the location of the reference operator's nodes?

Each declared service should be modelled separately, but increments (like extra capacity) should also be included to reflect real usage.

Question 8: Do you agree with NICTA's view that a cost model for the Declared Services should be based on a notional or hypothetical operator with a market share, network coverage, and facilities, similar or equivalent to that of PNG DataCo Limited, with reasonable adjustments, as needed to reflect efficient costs? Explain your answer.

These should be modelled carefully because they are international and very costly. Costs must reflect efficient use of submarine cables.

Question 9: Considering the cost model for the Wholesale International Dedicated Submarine Cable Capacity Service; do you agree with the proposed network components to be include in the hypothetical access provider's cost model along with the proposed services to be modelled?

These are domestic backbone services. Prices should reflect efficient transmission costs across PNG's terrain.

Question 10: Considering the cost model for the International Submarine Cable Facilities Access Service; do you agree with the proposed component and services to be modelled? Please explain your answer.

This is critical for ISPs. Prices must reflect fair costs so smaller ISPs can compete.

Question 11: Do you agree with the proposed network components to be include in the hypothetical access provider's cost model along with the proposed services to be modelled?

Joint and common costs should be spread fairly across all services. Methods like LRIC+ or FAC can do this.

Question 12: Do you agree with the proposed network components to be include in the hypothetical access provider's cost model along with the proposed services to be modelled?

Depreciation should reflect the real economic life of assets, not just accounting rules. Straight-line or economic depreciation is better than arbitrary book values.

Question 13: Do you agree that for the allocation of network related joint and common costs, NICTA should use the capacity-based allocation? Please explain your reasons for why or why not.

The rate should cover risks and encourage investment, but not be excessive. It should balance investor confidence and consumer fairness.

Question 14: Do you agree that for the allocation of overhead common costs, NICTA should use the equal proportionate mark-up (EPMU) approach? Please explain your reasons for why or why not.

Yes, NICTA should share assumptions and results with providers. This builds trust and allows feedback.

Question 15: Do you agree that NICTA should use the tilted annuity approach to calculate the depreciation of assets? Please explain your reasons for why or why not.

NICTA should check regularly if providers follow the maximum price rules. Clear reporting and audits will help.

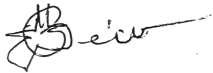
Question 16: Do you agree that NICTA should use the approach presented in the SSPPs to calculate the WACC for the access provider's cost model? Please explain your reasons for why or why not.

The mix of cost modelling, fair allocation, CCA, and transparency seems reasonable. It follows international best practice while fitting PNG's context.

End!

We look forward to continued engagement with NICTA and stand ready to provide further input.

Yours Sincerely,



Madlyn Be'eu
Managing Director
U-Space Communications