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31 January 2014

Chief Executive Officer
Office of the Chief Executive Officer
NICTA
Frangipani Street,
Hohola
National Capital District

Dear Mr. Punaha,

Bmobile Submission to NICTA in response to Consultation Paper on a public enquiry into the potential declaration of certain wholesale fixed telecommunications services.

Introduction

Bmobile has prepared this response to the consultation paper on the potential declaration of certain wholesale fixed telecommunications services on the basis of potential increased market competition and national economic.

The structure of this response is to comment generally on sections 1 and 2 of the Consultation Paper and then to respond to the questions in section 3, where they are currently relevant to Bmobile.

Responses to Sections 1 and 2

Bmobile has prepared this response to the paper on the potential declaration of the following wholesale services:

1. Domestic inter-exchange transmission services
2. Domestic transmission tail services
3. Domestic digital data services such as xDSL and/or Ethernet services
4. Unbundling of specified facilities located between a local exchange and the network boundary whether unconditioned and/or conditioned (including spectrum sharing)
5. Facilities access services associated with fixed network facilities (including exchanges)

It is understood that the Consultation Paper is simply seeking comment on a range of wholesale services that may be considered for declaration in the future – potentially in 2015. Bmobile provides these comments and is willing to work with NICTA to determine the need for wholesale declaration of the services listed above.

Bmobile is widely considered to be a mobile services provider – voice, txt and data services for mobile users. In fact, Bmobile considers itself to be a full service telecommunications carrier with infrastructure broadly capable of a wide range of voice and data services delivered to mobile and fixed consumers. This means that there is potential interest in all five of the wholesale services described above, although the timing of Bmobile's interest will depend on how new services develop to compliment the current mobile services.

Our response in this respect is to comment in the first place on wholesale services that would increase market reach for current (mobile) services, and then to discuss other wholesale services that may be interest for Bmobile later, as new services are developed.

A significant challenge for Bmobile is its relatively limited geographic reach in Papua New Guinea when compared to other service providers.

Papua New Guinea presents a number of practical constraints to the achievement of effective retail competition for telecommunications services:

- The construction of duplicated network infrastructure across the country to support separate retail competitors may be commercially unlikely due to high capital and operational costs that result from difficult terrain, widely distributed population and challenges with landowner support for telecommunications infrastructure.
- The Average Revenue Per User (ARPU) for mobile and some other services is low, especially in rural areas where the cost of infrastructure is high per user. This can mean that a second infrastructure build for a service provider can be difficult to justify due to limited market size and revenue availability, although it is acknowledged that competition usually grows total market size and revenues.

In the circumstances described above, it is unlikely that another service provider could justify the capital expenditure to match the infrastructure owned by larger service providers in Papua New Guinea.

The five wholesale services under consideration are:

- i) Domestic inter-exchange transmission services: These wholesale services may be of immediate interest to Bmobile to permit network backhaul connectivity where they avoid the need for capital expenditure for primary or backup routes.
- ii) Domestic transmission tail services: These services are of interest now, as Bmobile has the infrastructure to deliver point to point data services if local access (wholesale) services were available.
- iii) Domestic digital data services such as xDSL and/or Ethernet services: These services are also of interest now, as Bmobile is interested in offering bundles of services to domestic and business clients rather than only mobile services.

- iv) Unbundling of specified facilities located between a local exchange and the network boundary whether unconditioned and/or conditioned (including spectrum sharing): We understand these wholesale services to be data services access via copper and/or fibre assets owned by another party who may be required to provide wholesale access services to these cable assets. The retail services delivered might be xDSL or ethernet connectivity where Bmobile would provide its own exchange equipment. This option is of interest although less important than the wholesale services described in item iii) above.
- v) Facilities access services associated with fixed network facilities (including exchanges): This wholesale service is of particular interest to Bmobile where it may offer access to suitable radio sites, already equipped with buildings, radio masts etc.

The declaration process is understood and Bmobile is willing to work with NICTA to identify areas where the declaration of a wholesale service would support the economic delivery of new retail services by Bmobile where this is currently economically unrealistic.

The approach to market definition is understood, and the 'geography' definition in the consultation paper is of particular relevance the Papua New Guinea and to Bmobile. The difficult terrain and low density population in regional areas in particular means that there is limited opportunity for service providers to compete using duplicated infrastructure – the return on investment is unlikely to be positive. Bmobile is willing to work with NICTA to demonstrate market opportunities that cannot be addressed through the use of existing retail tariffs of other service providers, or through the construction of competing (duplicated) infrastructure.

The hypothetical monopolist test is highly relevant in Papua New Guinea and applies to mobile services outside Bmobile coverage and to many point to point business services where only one service provider operates.

Ex-ante regulation is likely to be relevant in Papua New Guinea in a number of areas, and we make the following comments:

- There is likely to be market dominance in both mobile and fixed services where no alternative exists. We are not aware of any tests that have been carried out to prove ex-ante regulation might be necessary.
- Both Bmobile and Digicel are investing in the expansion of their networks, although Bmobile cannot justify the cost of complete and matching coverage via duplicated infrastructure.

Significant Market Power (SMP) and the period of analysis to determine whether SMP is a constant is understood and we are of the view that there is value in NICTA considering the conditions of SMP that relate to other carriers and their ability to make decisions on price or service.

Responses to Section 3

Question 1 – Do you agree with the proposed definition of the relevant markets as the national markets for wholesale transmission services in the fixed network and for wholesale fixed broadband services respectively?

We support the commentary in section three of the consultation paper, and make the following comments:

- Bmobile wishes to be a wholesale customer using other organisations infrastructure as defined in section 3.1 of the consultation paper where this will reduce the cost to deliver services to existing and new markets.
- The majority of Bmobile services are wireless at present and increasing competitive access to the market is constrained by the service dimension and the geographic dimension in particular. Bmobile will be able to offer services to a wider market if there were wholesale services available in these dimensions.

Question 2 – Are you able to confirm that there is a demand for any of the six services that are being discussed in this Paper?

Bmobile has commented in broad terms on its interest in access to wholesale services in our commentary earlier in this document.

Bmobile wishes to reduce delivery costs and expand market reach for its existing wireless services and this will be assisted by the facilities access services associated with fixed network facilities.

Question 3 – Do you agree that the information available about the wholesale transmission in the fixed network and in the wholesale fixed broadband services markets is insufficient to determine whether either or both markets are susceptible to ex-ante regulation of significant market power?

We agree that there is insufficient market information to prove there is a need for ex-ante regulation, or not. Our view is that obtaining reliable and timely information in this respect is likely to be difficult and that other approaches to determining the need for regulation are required. Bmobile is able to discuss this matter in more detail with NICTA if necessary.

Question 4 – Do you agree with the proposition that there is insufficient information to determine whether Telikom (or anyone else) has a position of SMP in either or both of the relevant markets at this time?

We agree that assessing SMP is likely to be difficult and agree that while there is significant investment in new mobile infrastructure (Digicel and Bmobile) and in the NBN (Telikom) currently underway, it will be difficult to determine what potential lessening of SMP may result from these investment programs. Our suggestion in this case is to discuss geographies where Bmobile is not investing and where the NBN will not offer access to wholesale services, and identify options for the declaration of wholesale services.

Question 5 – The views of operators and interested parties are sought as to whether the declaration criteria would be met.

We understand that it may be difficult to gather reliable data regarding market dominance for example. We suggest that the need for declared wholesale services may be proven through

economic analysis of specific geographies and infrastructure cost models to show whether competitive retail services can be delivered over wholesale services. Bmobile is willing to discuss this matter further with NICTA.

Yours sincerely



Raj Deo
CEO (PNG) & Regional CTO