



FINAL REPORT

NICTA staff's final report on the Consultation Paper on Retail Price of Entry Level Broadband services

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Contents

1	INTRODUCTION	3
2	SUMMARY OF KEY RESPONSE	4
3	NEXT STEPS	5

1 Introduction

On 20th June 2014, NICTA released a public consultation paper titled “*Retail Pricing of Entry-Level Broadband Services*”. The purpose of the consultation paper was to give effect to the *National Broadband Policy* (Policy) in its medium term objective with respect to retail broadband service affordability. The fourth goal of the Policy states;

“To ensure that Broadband Services become and remain affordable for all people in PNG – an entry level broadband service shall be available to all with access at an affordable price. NICTA, in conjunction with the Department and other relevant agencies, licensed service providers and stakeholders, will define both the initial entry level service characteristics and an affordable price. A service download speed of 512kbps shall be considered to be the initial entry level or basic service, pending further consideration by the parties referred to above. In order to make broadband affordable and desirable to middle and low income people in PNG, it will be necessary to establish policy settings that reduce cost, encourage high early demand (and gain scale economies) and ensure early development of applications of widespread appeal and utility, especially where local content is involved.”

Studies by International Telecommunications Union (ITU), an agency of the UN, show that retail broadband consumers can afford to pay 5% of their income measured in terms of Gross National Income (GNI). For PNG, this averages between K15 – K20 of GNI per month. – A bench mark set by ITU for broadband affordability in ITU member countries. Since PNG is a member of ITU it has adopted this approach as the basis of measuring affordability. NICTA will address affordability by building a picture of overall prices and price movements during 2015.

Broadband service providers have an important role to play in providing price/service offers that include price plans that are affordable to people on lower incomes. By closely monitoring the prices and price movements of both fixed and mobile broadband retail services as a prelude to determining what further actions, if any, might be taken to promote affordability. NICTA expects reduction in the overall retail price levels for broadband services over time. NICTA will be working with service providers to consider and facilitate new and innovative ways of ensuring that the widest cross-section of the PNG community has affordable access on a commercially sustainable basis to broadband.

Relevant key ICT stakeholders have participated in the consultation process and their submissions/comments have been analysed and NICTA’s Response to Comments Report is available on the public register (www.nicta.gov.pg). This Final Report encapsulates three key issues identified in the comments provided by the stakeholders. Comments were received from Digicel, BMobile, ICC, Telikom and NRI. Telikom’s submission was noted only since it was submitted late.

2 Summary of Key Response

As is the case with many public consultations NICTA has been able to conduct, this report summarises the comments on the issues raised from respondents and these comments have been carefully considered in the Response to Comments Report prepared by NICTA staff incorporating the arguments for and against and that forms the basis for the next steps. Since this report is a culmination of a public consultation paper, no recommendations are required for the Minister at this stage.

The overall response of NICTA staff is to proceed with the approach outlined in the public consultation paper taking into account the various suggestions and comments made in the submissions. There have been number of comments to improve the monitoring of retail entry level broadband service and the scope instead has not been narrowed but widened. The main areas suggested for improvements are these but not limited to:

- **The need to assess entry-level prices over time and, at the same time, to review the developments in the broadband services market as a whole, in order to provide context for the assessment.**

NICTA staff agree that the assessment of entry level broadband service needs to be examined in the context of the entire broadband supply chain and that should be done over time as changes in uptake in one segment of the supply chain would definitely affect affordability or consumption of a particular service. However, this may take time. NICTA staff proposes that for the start it is important to monitor the trend in the context of the entry level retail broadband pricing which could easily be achieved immediately. A period of at least six (6) months is proposed with a monthly update of the broadband pricing information (by the licensees) at the specified entry level speed.

- **The need to be concerned with changes in the key metrics, including the entry-level prices as a percentage of per capita GNI over time, rather than concentrate on the 5% threshold (which may take some considerable time to achieve).**

There have been some issues raised on the 5% threshold being unattainable. The point about the ITU standard for affordability of 5% of average income is not that it is immediately attainable but that NICTA's continued monitoring of progress in affordability should be in terms of movement in a measure based on entry level pricing as a proportion of average income.

- **The need to consider the availability and price of international bandwidth capacity and of bottleneck international gateway services in the course of assessing entry-level retail service affordability.**

A number of submissions referred to the problems of getting access to international broadband or IP capacity at reasonable prices. NICTA's response suggested in the Response Report is that the matter will be pursued separately. There are a number of ways open to NICTA to address that. One would be to seek a full statement on the market, pricing, customers, etc from Telikom and identify the issues with appropriate regulatory actions. However with the establishment of DataCo it would be more appropriate to discuss with PNG DataCo Ltd and Telikom PNG Ltd separately how they intend to address the issues that have arisen. The matter does not have to be determined immediately, but remains an action item for NICTA.

3 Next Steps

The next steps proposed in the public consultation paper is price monitoring. Monitoring involves making regular monthly (or similar) observations of the price actually being offered for the entry-level product that applies in each case. A review of price evolution might occur in 6 months' time – preferably in September 2015, where additional information might be considered in the review, such as the information implicit in the three dot points above.

A starting point for parameters of regular assessment is reproduced in tabular format from the Public Consultation Paper - the parameters appear to have general level of acceptance from the respondents.

Proposed parameters for NICTA's regular assessments of the affordability of entry-level broadband services

Ref.	Parameter	Fixed broadband services	Mobile handset-based broadband services		Mobile computer-based broadband services	
1	Technology	xDSL, cable, IEEE 802.16e, satellite	UMTS, HSDPA+/HSDPA, CDMA2000, IEEE 802.16e		UMTS, HSDPA+/HSDPA, CDMA2000, IEEE 802.16e	
2	Type of user	Residential	Residential		Residential	
3	Commitment period (if applicable)	12 months (or the closest thereto)	12 months (or the closest thereto)		12 months (or the closest thereto)	
4	Payment model	Pre-paid or Post-paid	Pre-paid		Pre-paid	
5	Minimum advertised download speed	512 kbps	512 kbps		512 kbps	
6	Minimum monthly data usage	500 MB	250 MB	500 MB	250 MB	500 MB
7	Period of validity (if pre-paid)	Minimum of 30 days validity	Minimum of 30 days validity		Minimum of 30 days validity	
8	Exclusions (where practicable)	<ul style="list-style-type: none"> • Time-based offers linked to 'hours of use' and not to data volumes • Promotional pricing/offers • Discounts limited in time or to special user groups • Special prices that apply to a certain type of device only • Installation fees • Deposits • Equipment charges • Line rental • Bundles 				

Close monitoring will be for an initial period of 6 months beginning 31st March 2015. And in that period, NICTA would be engaging with the licensees to see how the goals of the NBP can be best achieved. It is desirable that the objectives of the Act and the goals of the NBP are achieved through market forces alone. Only if the market fails to deliver affordable entry level broadband will NICTA consider intervening in the market with regulatory measures.

NICTA proposes that in order to impose any form of price constraint through regulation, such as a cap on entry level service prices should be deferred at least until the review at that time. If NICTA's monitoring does not show improvements over time in the affordability of entry-level broadband services, then NICTA may consider intervening in broadband pricing by way of:

- a retail service determination under section 159 of the *National Information and Communications Technology Act 2009* (the Act) on the dominant service provider in each identifiable retail broadband market;
- a special licence condition under section 55 of the Act on relevant Applications Licensees; and/or
- rules under section 218 of the Act, consistent with any Government policies of which NICTA is formally notified under section 11 of the Act.

This information is provided on a monthly basis. The first batch of information is expected on 31 March 2015 and second is expected on 30 April 2015 and so forth.

Description of the type of service offered. (Licensees may also include the type of technology being offered)	Price (K) (Please indicate for all the plans. Attach additional sheets where necessary)			Terms and Conditions of the service (Includes commitment period, payment model, type of user etc. It may also be useful to indicate whether Plans are short term, long term or promotional). The duration of the Plans should also be stated.	No. of subscriber for each service during the month.	No. of subscription for each service during the month.	No. of subscription upgraded for each service during the month.
	Plan A (≤500MB)	Plan B (≤1GB)	Plan C (>1GB)				
Fixed broadband services (xDSL, cable, IEEE 802.16e, Fixed satellite)							
Mobile handset-based broadband services (UMTS, HSDPA+/HSDPA, CDMA2000, IEEE 802.16e)							
Mobile computer-based broadband services (UMTS, HSDPA+/HSDPA, CDMA2000, IEEE 802.16e). E.g., a dongle							

Notes: Licensed operators are encouraged to submit additional information where necessary.