

INDEPENDENT CONSUMER AND
COMPETITION COMMISSION

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Office of the Commissioner/CEO

28th August, 2014

Mr. Charles S. Punaha
Chief Executive Officer
NICTA
PO Box 8444
BOROKO
National Capital District

Dear Mr Punaha,

**SUBJECT: SUBMISSION ON THE PUBLIC CONSULTATION PAPER ON RETAIL
PRICING OF ENTRY-LEVEL BROADBAND SERVICE**

Thank you for inviting the Independent Consumer and Competition Commission ("ICCC") to participate in this consultation process. This submission expresses general views of the ICCC on queries raised in the consultation paper. One of the mandated roles of the ICCC is to promote competition which drives efficiency and innovation in businesses which leads to better quality, lower prices and greater choice for consumers; and ultimately enhances economic growth.

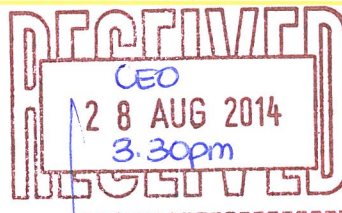
Below are views of the ICCC from the competition point of view on the consultation questions.

i) How should NICTA assess the affordability of entry-level broadband services?

First, ICCC believes that NICTA should set its own benchmark which should reflect business conditions in PNG of expected affordability levels in all the different forms of broadband available in PNG. The assessment of affordability of entry-level broadband services should concentrate on the prices of entry-level broadband services of all service providers and calculate the percentage as per Gross National Income ("GNI") per capita and see if prices of entry-level broadband services are affordable.

Assessments should be done over a period of time to see if prices fall or rise and judge if the market forces of supply and demand are in any way helping the services to be affordable, and to also see if the NICTA benchmark and the 5% of average monthly income international benchmark is achievable. These would indicate if NICTA is on the right path to achieving the National Broadband Policy ("NBP") objectives of affordability.

The current GNI/Capita calculation applying the 5% international benchmark for affordability would see a charge of K15.00-K20.00 per month however the current real charge people are faced with is K73-K300 per month which is miles from the international benchmark of 5%.



Our ref: 07-7002-1.2/bd/ss

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ii) What initiatives or actions by NICTA could help broadband service providers reduce their cost and improve the value of the retail broadband services supplied to end users?

The declaration by the Minister in March 2013 for the International Cable Transmission Capacity service caused reduction in some broadband products prices. This is a result of access to the fibre-optic cable capacity managed by Telikom PNG which is part of the National Transmission Network. The government owned DataCo will provide wholesale services to all retail service providers.

A broadband service through fibre-optic cable is the best option in terms of internet speed and lower costs for retail service providers. Other forms of providing broadband services, such as via satellite, are either too costly and/or too slow.

However currently, Telikom owns the fiber-optic cables and access is only allowed to a few service providers. Those who have access act as wholesalers and retailers at the same time compared to those retailers who do not have access. Many retailers might have sold out or phased out due to a very small profit margin to operate as access to the fibre-optic cable is restricted to a few. Those who have access to the fibre-optic cable disadvantage other service providers by selling at higher prices to them at the wholesale level and also compete in the retail market. The few who have access then charge cheaper retail rates which accounts for all consumers to desire their services making other competitors lose business since they charge higher prices to cater for higher costs.

With the current government initiative to make DataCo as the wholesaler would assist in making the cables available to every access seekers and retail broadband service providers would be more competitive and consumers benefit in the end.

The ICCC is of the view that to achieve NBP objectives and make broadband services more affordable, competition should be working effectively in the marketplace for the benefit of both businesses and consumers.

The proposed method by NICTA and NBP to leave everything to market forces to solve affordability is supported by ICCC. Market forces are effectively at work to bring prices down when vigorous competition is present. However, the issue is having access to the fibre-optic cables; and that should be open to potential new comers into the market without unnecessary restrictions.

Regulatory intervention by NICTA is another way to fast track changes at the current market conditions. NICTA should look at regulating the international cable transmission capacity services so the market works as though it operates in a competitive environment; and the retailers receive a good price which is translated to prices offered to consumers of the service.

Other regulatory interventions under NICTA'S powers are;

- a retail service determination under section 159 of the *National Information and Communications Technology Act 2009* ("the Act")
- a special licensee condition under section 55 of the Act
- rules under section 218 of the Act

iii) What are your views on the appropriateness of the parameters in figure 4 for the purposes of selecting from, and standardising the least expensive products of different licensees for the purposes of assessing the affordability of entry-level broadband services?

This is an area of technical knowledge of how best broadband is assessed and appropriateness of parameters for measurement purposes. This question is best left to technical experts at NICTA and others to address and comment.

We however agree in general with the current parameters as it is in line with International Telecommunications Union parameters and the modification in some parameters were to suit PNG conditions for the purposes of monitoring and assessment.

iv) Difficulties in PNG

PNG's geographical setting makes it difficult to rollout the same cost-orientated broadband service from across all districts. The very remote parts of the country would be using satellite to have broadband services which is quite expensive to install thus entry-level broadband services in those areas would be quite expensive making it not affordable to people in those places.

To help make broadband service in remote areas affordable, the government through appropriate agencies should cross subsidise installations cost to enable service providers to manage and charge affordable broadband services.

Careful planning and study is needed to enable NICTA to achieve objectives of the NBP of broadband affordability and internet access across whole of Papua New Guinea in the long run.

Should you have queries regarding this submission, do not hesitate to contact us.

Yours sincerely,



ELASTUS GERORO

Acting Chief Executive Officer