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Mr. Charles Punaha

Chief Executive Officer

National Information Communication and Technology Authority

PO Box 8444

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National Capital District

Dear Mr. Punaha,

DEUA

For your attention/action

SUBJECT: SUBMISSION ON MOBILE NUMBER PORTABILITY

The ICCC would like to thank NICTA for the opportunity to comment and make a submission on the discussion and consultation on Mobile Number Portability ("MNP").

The ICCC is of the general view that the introduction of MNP should be delayed until such a time when competition is effective in the mobile telephony market. This can happen through the entry of a big telecommunication company with significant investments that can provide efficient competition in the market.

According to Incyte consulting and Laurasia Associates' Discussion Paper on Costs and Benefits of MNP, the current makeup of the telephony market in PNG shows that Digicel has about 94.2% of market share while BeMobile and Telikom's Citifon have 4.8% and 1% respectively¹, indicating ineffective competition. Based on the ICCC's assessment, MNP best works when there is effective competition, it is vital to have an effective competitive market before introducing MNP. It only removes the risk of further dominance by existing market leader(s) acquiring more subscribers. For example, given Digicel has economies of scope and scale and its ability to attract subscribers through its wider network services, the current competitors and possible new entrants have to provide effective competition first before introducing MNP to enhance competition and remove the barrier of choice.

Nevertheless, the ICCC's responses to NICTA's consultation questions are shown below for your consideration.

¹ Incyte consulting and Laurasia Associates, Mobile Number Portability for PNG: Discussion Paper on Cost and Benefits, page 16

"Our Competition Watch Dog, Shaping our Market Economy and Protecting our Consumers"

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Question 1: *Introducing a MNP service will enhance competition and benefit PNG consumers and the PNG economy. Please provide your comments and views.*

MNP was proven to enhance competition and benefit consumers and its introduction in PNG might not be any different. MNP will provide PNG consumers with freedom of choice of their mobile service provider and the convenience of having the same number when switching network providers. MNP substantially lowers the costs of changing service providers and as a result gives consumers greater choice of products, services and pricing packages from a range of different providers.

If consumers are not satisfied with the services of their existing network provider, they do not have to remain just to keep their number; they have the flexibility to switch between networks anytime. They also do not have to buy a new SIM card and phone to change their network provider, they only need to port.

In terms of competition, MNP enhances competition because suppliers of mobile services will now need to compete more aggressively by offering better products, new, innovative services and packages in order to retain existing customers as well as attracting new customers. It is the ICC's view that MNP is an enabler for competition. It removes barriers of customer choice and flexibility.

Question 2: *The MNP process of moving a customer's number from one provider to another provider should be achieved by either Recipient Led (the customer requests porting through the new Recipient operator) or Donor Led (the customer requests porting through the current operator). Please provide your comments and views.*

The ICC concurs with the findings of the consultants that the Recipient led should be used to move customers' numbers from one network provider to another. It is more customer friendly and convenient. The Donor led can be troublesome if the operator is unwilling to port a number from its network to another and decides to employ delay tactics which only prolongs porting and causes inconveniences for customers.

However, the regulator should monitor both the Donor and Recipient operators' conduct to minimize unnecessary or intentional delay when porting network by the customers.

Question 3: *In Section 4 of the Discussion Paper there is a description of the benefits of MNP broken down into four types. Is this an adequate description of the benefits that should be considered?*

Although the 4 categories of benefits under section 4 of the Discussion Paper are acceptable, we cannot discount other benefits as a result of the 4 categories. Mentioning those does more good than bad.

The other benefits include freedom of choice (one is free to choose a new network provider without losing their existing number), avoid missing calls from clients, reprinting stationery and having any signage redone (for businesses), and avoiding the inconvenience of having to notify friends and associates that they have changed their number.



MNP substantially lowers the costs of changing service provider and as a result gives consumers greater choice of products, services and pricing packages from a range of different network providers.

Question 4: *In Section 4.3 of the Discussion Paper there is a description of the areas in which one-time and continuing costs will be incurred to provide a MNP service. Is this description complete and are there other types of costs that should be considered?*

The ICCC is of the view that the description of costs in this section is complete. The only concern the ICCC has is if these costs are going to be recovered from the subscribers which could have some bearing on the service rates being increased when MNP is implemented.

It could be the case that there will be enhanced competition and increased choice but the subscribers are paying a higher price than the current rates.

Question 5: *Each operator will be responsible for their set-up costs to prepare for the implementation and launch of MNP in PNG. Please provide your comments and views.*

The ICCC noted that there are significant set-up costs, and ongoing costs associated with MNP implementation which might be detrimental in terms of the operators trying to recoup its investment. It is therefore important for NICTA as the regulator to work closely with the operators to ensure MNP is a success and some control is instilled in terms of tariff setting.

NICTA should push for the least cost way of implementing MNP, given that costs will then be recovered down the line.

Question 6: *Cost recovery is a transfer function that does not need to be considered in an economic cost benefit study. However, should set-up costs be recoverable from consumers or other stakeholders?*

It is obvious that the costs of introducing and implementing MNP will be significant on the part of operators. In the normal business sense, the costs should be recovered from the consumers. However given NICTA's good intention to introduce MNP to realise the benefits of competition and removing the final barrier of consumer choice in the long term, it is fitting if the government through NICTA subsidise or fully fund the introduction and implementation of MNP. Thus, reducing the chances of the costs been recovered from consumers which only defeats the core purpose of MNP.

Question 7: *The table in Figure 6.1 (in Section 6 of the Discussion Paper) contains the Consultant's estimated monthly ARPU for each mobile network operator using best available information. If you consider the figures used not to be correct or current, please supply more accurate figure(s).*

The ICCC appreciates the efforts of NICTA and the Consultants in collating all data in this discussion paper. So long as the data is correct and current, it is acceptable.



Question 8: *In your view, what is the maximum time that it should take to completely and successfully port a mobile service number? Will the options set out in the Discussion Paper achieve the maximum time that you have nominated?*

The shorter turnaround time for porting is much better for the consumers. Considering the complexity of porting and processes involved, 24 hours or less would be more appropriate especially for businesses. Longer porting turnaround time would cause inconvenience to both individuals and businesses. We are optimistic that the option set out in the discussion paper allows porting time to be as short as possible.

Question 9: *Section 10.1 of the Discussion Paper sets out prerequisites for the suitability of MNP both generally and in PNG, together with assessments in the case of each prerequisite. Please provide your comments and views.*

The ICCC agrees with the discussions on the prerequisites.

It is however important to note that one of the prerequisites is to have effective competition before MNP can be considered. **Currently in PNG, there is no effective competition in the mobile telephony market with Digicel dominating the market with 94% market share.** However, there is potential for effective competition given the government's current plans to merge Telikom and BeMobile and extensively support the entity financially to enable the merged entity to compete with Digicel. Also, there is always the possibility of a new entrant entering the market.

As you know, MNP enhances competition and it does not always create competition. It is therefore vital to consider the level of competition in the market before considering the introduction of MNP in the market. The risk is that the dominating firm, Digicel, could win more subscribers from BeMobile and Citifon with the high cost of introducing MNP given BeMobile and Citifon's current inability to invest in the market to compete.

The ICCC is also of the view that we should have a detailed section on number portability in the National Numbering Plan as a prerequisite when we consider the introduction of MNP. The current numbering plan defines portability and types of porting available but it does not outline the requirements or rules of number porting or how it is done especially on the part of the operators.

Question 10: *While the market in PNG meets the majority of criteria for the successful introduction on MNP, the degree of competition is currently inadequate and MNP could lead to a reduction in market shares for the smaller operators BeMobile and Citifon. Please provide your comments and views.*

Refer to Commission's comments on Question 9.

Question 11: *Number portability will lead to a need to examine tariff transparency issues further to ensure that callers to ported numbers do not have to pay more than they expect. Please provide your comments and views.*

The ICCC suggests that NICTA should come up with a system to tell callers which network they are contacting given each network providers publish their service rates so that subscribers are aware

especially in the months just after the introduction of MNP.

The ICCC understands that once MNP is well established and the operators are fully competing, service rates will be very similar between operators, hence, the need for tariff transparency becomes less important.

Question 12: *Requiring the introduction of number portability as a user right would impose an unfair and unsustainable financial burden on BeMobile and Citifon. Please provide your comments and views.*

If number portability is introduced as a user right in PNG, then the current operators do not have much choice but to bear the cost of introducing MNP. Accordingly, from the Discussion Paper, the investment into MNP is huge which could be, with the current make-up of the market, a cost burden to both BeMobile and Citifon.

On that note, the ICCC is of the view that number portability should not be considered as a user right as yet but as a measure to promote or enhance competition.

Question 13: *Digicel is able to afford the introduction of number portability both as a user right and as a measure to promote competition. Please provide your comments and views.*

With the current market conditions, Digicel is able to afford the introduction of number portability either as a user right or a measure to promote competition. Given Digicel's wider and large network coverage, reliable services compared to the other network providers, its dominance in terms of competition, and their ability to improve services to lure more subscribers, number portability can be seen as an avenue/means for Digicel to acquire more subscribers.

There is a possibility that Digicel will further dominate this market with number portability in place. In order to avoid this happening and realising what MNP is capable of achieving, competition in the market should be improved either by possible entry of new effective entrant or the promised merger of Telikom and BeMobile and extensive funding of the merged entity by the government.

Question 14: *A future New Entrant should be able to absorb the cost of providing number portability as part of its overall investment. Its costs would be lower than those of the other operators because number portability would be designed in to the network rather than added on as a later modification. Any new entrant would probably regard number portability as an essential tool for competing with the established operators. Please provide your comments and views.*

The ICCC agrees that this could be an advantage given MNP costs are already incorporated into the new entrants overall investments and could be lower before establishing. Big telecommunication firms could see the introduction of MNP as an incentive to enter and compete in the market.

However, the ability of the new entrant to compete with a firm like Digicel who currently has economies of scale and scope and dominates in terms of subscriber base remains to be seen.

The onus is on the new entrant to attract subscribers to port from the well-established incumbents.



Question 15: *In Section 11 of the Discussion Paper four cases are set out. Effectively they are options that might apply to the introduction of MNP in PNG. They labelled as Cases 1a, 1b, 2, 3a and 3b respectively and subjected to cost benefit assessment. Please provide your comments and views on the options set.*

The ICCC concurs with the Consultant's assessment of cost benefit of introduction of MNP in PNG while noting that an entry of a new entrant will provide fair and effective competition in the market.

Question 16: *In Subsections 12.1 and 12.2 of the Discussion Paper are listed advantages and disadvantages of a user right approach to portability (which corresponds to the options in Cases 1a, 1b and 2) and of a competition promotion approach (which correspond to the options in Cases 3a and 3b). Please provide your comments and views.*

Sections 12.1 and 12.2 outlines the advantages and disadvantages of both User right portability and portability to promote competition respectively. Whilst cases 1a, 1b and 2 discuss the options available or requirements of user right porting and options 3a and 3b discuss competition porting approach.

In relation to Fixed Number Portability (optional questions)

Question 17: *The penetration of fixed services in PNG is insufficient to justify the introduction of Fixed Number Portability (FNP). Please provide your comments and views.*

The ICCC agrees that there is insufficient penetration of fixed services compared to mobile penetration, very few expression of interest in FNP to NICTA, and greater impact of MNP to millions of subscribers as opposed to the very small number of fixed service users does not favour the introduction of FNP.

However, there could be some need for FNP especially for residence or businesses that shift locations needing to keep their old number which is known by friends and clients. Instead of incurring further cost in trying to advice friends and clients of a new number, they can port.

Question 18: *There is inadequate competition in fixed services now and will be inadequate competition in the next five years, and therefore no reason for considering FNP at this time. Please provide your comments and views.*

The ICCC agrees that there is inadequate competition in fixed line services and there is no reason for considering FNP at this time.

Question 19: *If there is a case at a later date for FNP then the MNP arrangements, if there are any, can be extended to include FNP. Please provide your comments and views.*

The ICCC agrees that if there will be a need for FNP in the future, it can be extended. Currently, there is no competition in fixed line in the market and subscribers are not that many compared to mobile phone subscribers, hence, there is no need in considering the introduction FNP in PNG.



Question 20: *There may be some benefits, including cost savings, in implementing FNP at the same time as MNP. Please provide your comments and views. Would the net benefit of MNP and FNP being implemented at the same time exceed the net benefit of an implementation of MNP only? Please provide your comments and views.*

Implementing FNP at the same time as MNP would be a huge task for the industry and could be costly. MNP and FNP are new concepts yet to be trialed in the industry even though it has been used in other countries. NICTA need to consider MNP first and see how it works in PNG given the wide use of mobile phones in PNG and subscriber numbers being in excess of more than 3 million people. Only consider FNP when the need arises.

Considering benefits, MNP would bring more benefits given mobile subscribers are in millions compared to a lesser number of fixed service users.

For queries regarding this matter, contact Mr Steven Sugl, Executive Manager, Competitive Markets and Fair Trade Division on 325 2144 or on email: ssugl@iccc.gov.pg.

Yours sincerely,

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MR. AVI HUBERT

Acting Chief Executive Officer