



Ministry of Information & Communications Technology

Office of the Minister

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RETAIL SERVICES DETERMINATION BY THE MINISTER MEDIA STATEMENT

I would like to inform all you all that I have today made a **Retail Services Determination** (RSD) affecting retail mobile service prices on the recommendation from the National Information Communications Technology Authority (NICTA) – ICT sector specific regulator.

An RSD is a regulation or ruling made by the Minister, based on the recommendation of NICTA, which can specify retail pricing, service standards or pricing principles relating to the supply of a particular retail service.

NICTA has completed a public inquiry into whether mobile originated retail national voice call services that are supplied by Digicel (PNG) Ltd ("Digicel") on a prepaid and postpaid basis, should be subject to a retail service determination that limits the level of price discrimination between on-net and off-net calls.

By increasing the price difference between off-net and on-net calls beyond what would be reasonable to reflect differences in costs, a large operator like Digicel, discourages potential customers from subscribing to smaller networks. That is because being in a smaller network implies that most mobile calls would be off-net, to Digicel.

This creates a vicious circle for smaller networks, where the demand for their services is artificially diminished, which in turn leads to low revenue growth, low profitability, and low investment on network expansion and upgrades. This lessens competition in the market, increases market concentration, reduces the smaller operators' incentive to invest on network expansion, and increases prices to all consumers compared to a situation where no such unjustified price differential exists. The proposed determination seeks to address that by limiting the price difference to a maximum equivalent to the voice interconnection charge applies to Mobile and Fixed Access Services.

For example, the Retail Services Determination will now prevent Digicel not to charge its customers more than **0.88 toea per minute** for mobile calls made to Vodafone or Bmobile during week days at peak hours (5am-10.59pm). Assuming that current commercially negotiated interconnection rates (Mobile and Fixed Termination Access Rates) between the mobile operators is **0.08** per minute and Digicel's on-net rate (peak week days) **0.80** per minute, then Digicel off-net (calls to Vodafone/Bmobile) rates should be less or up to **0.88** toea per minute for this particular call service made at this particular time. The same principle applies to all Digicel off-net calls (both pre & post-paid). All Digicel off-net call rate must be less than, the sum of its own on-net rates and the interconnection rates that Digicel and other mobile operators commercially agreed on.

NICTA will monitor the compliance with the determination and may recommend variations to the Determination if experiences suggests that.

I consider that regulatory intervention is necessary to address the anti-competitive effects of Digicel's large price difference between off-net and on-net calls. The retail service determination is the only practicable regulatory option in such circumstances.


HON. TIMOTHY MASIU, MP

Minister for Information and Communication Technology
And Member for South Bougainville

