
31st January, 2014

Mr. Charles S. Punaha
Chief Executive Officer
National Information & Communication Technology Authority
P.O Box 8444
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N.C.D

Dear Mr. Punaha,

**REF: CONSULTATION PAPER - POTENTIAL DECLARATION OF CERTAIN
WHOLESALE FIXED TELECOMMUNICATIONS SERVICES**

Telikom PNG Limited ("Telikom") acknowledges NICTA's invitation for comments and submissions regarding the above and hereby submits its views and comments accordingly.

Prior to addressing the Consultation Paper, Telikom has considered the following issues as critical and would like to point that out to NICTA to address them before NICTA advances the consultation process on the potential deferral of the fixed line services for 12 months or otherwise.

A. Public inquiry into the potential declaration of certain wholesale mobile telecommunications services

1. Telikom is concerned that NICTA has decided to release a Consultation Paper on the Potential Declaration of certain Wholesale Fixed Telecommunications services while the public inquiry into the potential Declaration of certain Wholesale Mobile Telecommunications services is still in progress, and that raises a lot of questions.
2. Whilst the industry is operating under huge uncertainties surrounding the potential declaration of the wholesale mobile telecommunications services (MACO), NICTA has considered it appropriate by releasing the Consultation Paper on the fixed telecommunications services. This also raises a lot of questions on the integrity of the process adopted and the principle applied in releasing the consultation paper.
3. It is Telikom's strongest view that NICTA should concentrate on bringing to conclusion the inquiry process in train pertaining to the MACO Market. At

this stage, it is uncertain as to whether or not the process in train will be brought to a successful conclusion with a Declaration by the Minister to regulate the MACO Market. Given this uncertainties, NICTA should not rush into the public inquiry on the fixed telecommunications services but to concentrate on delivering the determinations on the MACO services.

4. Telikom therefore request that NICTA consider completing the inquiry into the MACO services before commencing any inquiry into the fixed telecommunications services.

B. PROCESS ADOPTED TO CONDUCT INQUIRIES

5. The Declaration Criteria is clearly set out under Section 128 of the NICTA Act ("the Act"), the process and principles adopted in fulfilling this requirement has been largely questioned by Digicel in its submission on the MACO inquiry.
6. Telikom is also mindful of the same because the process applied to the fixed telecommunications services are similar and the same issue may arise, so in order to avoid getting into the same scenario, it would be appropriate for NICTA to provide that clarity to the industry, including Telikom.
7. Once the outcome of the inquiry in the MACO market is known, NICTA can commence on the inquiry into the fixed telecommunications services because the issues and specific questions raised in the MACO services paper are related or to some extent, cut and paste and were also used in the previous inquiries, i.e. Retail Services Determination, Submarine Cable Service, Cable Entry Station Service. That gives the industry an impression that NICTA has not given sufficient consideration to the services but to quickly rush into fulfilling the requirements of the Act.
8. Again Telikom strongly suggest that NICTA must complete the inquiry into the MACO market before taking on board the potential declaration of the fixed services.

C. The Fixed Telecommunications Services

9. NICTA is of the view that Telikom is the only licensee that has the infrastructure for wholesale transmission services in the fixed network and for wholesale fixed broadband services. These wholesale services then supply a downstream retail market for voice, data and broadband services, which are now clearly being substituted by rapidly expanding mobile networks that cover a wider geography and larger customer segment compared to fixed services.
10. Given this situation, the mobile market currently presents the potential to cannibalise the fixed services and this is now a growing trend Telikom is beginning to experience.

D. Comments and Remarks

11. As you are well aware, regulatory intervention is a very serious matter and has significant impact on investments, innovation and competition. This is particularly the case in markets that are subject to competition recently, i.e.- markets are growing and developing. If the regulator prematurely regulates a recently growing market then it removes the incentive to invest in infrastructure.
12. It is Telikom's view that appropriate regulation or regulatory proceedings can have serious impacts in the industry and the firms that have invested in it. This is because such proceedings or regulations carry with them significant direct and indirect costs and serve to undermine the confidence of investments which in turn risks delays in or cancellation of future investments.

NICTA therefore must undertake coherent and comprehensive analysis and satisfy itself that all of the legislative and procedural requirements have all been met prior to conducting its inquiry in the potential declaration of the fixed telecommunications services. For now, Telikom is inclined to NICTA's view that the inquiry should be further delayed.

Telikom proposes an audience with NICTA regarding the above issues and others discussed in the submission before NCTA considers a final determination.

Yours sincerely,



Mr. Phillip Aeava
Chief Legal Officer