Recent Competition Development in Key Sectors in Papua New Guinea

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TOPIC: RECENT COMPETITION DEVELOPMENT IN KEY SECTORS IN PAPUA NEW GUINEA (PNG).

The discussion in this presentation will briefly highlight recent competition developments in the telecommunications and electricity sectors in Papua New Guinea;

Major policy initiatives have recently been undertaken in the telecommunications and electricity industries to reform the sectors with a view to improve reliability, efficiency, and service standards; and to identify and eradicate entry impediments to promote competition and fair trading in the market place.

1. REGULATORY FRAMEWORK

1.1 The Establishment of the Independent Consumer and Competition Commission
Papua New Guinea, like many other open economies has a regulatory authority established by the Government. The Independent Consumer and Competition Commission (the Commission) is that statutory body, established under the provisions of the Independent Consumer and Competition Commission Act (the ICCC Act) in 2002.

1.2 The Commission’s Mission
The prime objective of the Commission is to promote competition and fair trading in the market place. The ICCC Act empowers the Commission to regulate, oversee, and monitor market behavior with a view to rectify market failures and to ensure entities’ commercial operations are in accordance with the regulatory contracts. Its overall responsibilities are to:

- Eliminate anti-competitive behavior and practices;
- Rectify market failure;
- Boost competition and fair trading in the industries;
- Protect consumer interests and welfare; and
- Regulate prices for certain goods and services, such as fuel products.

1.3 Recent Competition Developments in the Key Sectors
The Provisions of the ICCC Act empower the Commission to conduct specific enquires as directed by the Minister for Treasury or by the Parliament of PNG. In this regard, the Government has currently directed the Commission to undertake a comprehensive assessment of competition issues and overall conduct of market participants in the telecommunications and electricity sectors in PNG. These policy reviews aim to increase efficiency and cost competitiveness in the respective industries.

2. THE TELECOMMUNICATIONS AND ELECTRICITY INDUSTRIES

2.1 Industries’ Profiles
The telecommunications and electricity industries are currently dominated by enterprises wholly owned by the Government of PNG. They have been licensed under their respective Industry Acts to provide various telecommunications and electricity services to
the people of Papua New Guinea. The state-owned monopolies in the electricity and telecommunications sectors have not faced any form of competition since their establishment. However, these enterprises have been declared by the Government to be regulated entities under the ICCC Act 2002 and as a result, they now have binding regulatory contracts with the Commission.

2.2 Recent Competition Development in the Telecommunication Industry
More recently, major competition reforms have been undertaken to end fifty-two (52) years of monopoly power and to boost competition in the telecommunications industry. The government of PNG has announced the introduction of competition in the mobile telecommunications sector. It has instructed ICCC as the industry regulator to facilitate and monitor the process in accordance with the ICCC Act. Two players, Digicel and Green Communications Ltd, have been issued with a commercial license to compete in the mobile telecommunications services market. They are expected to start commercial operations by October 2007.

This development was a milestone in the telecommunications industry, which brings much hope to customers to have access to reliable and improved service standards at reasonable prices.

2.3 Recent Competition Development in the Electricity Industry
The electricity industry is another area in which a new entrant has been licenced to improve performance and enhance outreach of services. PNG Power Limited (PNG Power) is wholly owned and operated by the government of Papua New Guinea (PNG), an entity supplying electricity services nation wide. It focuses only on supplying electricity services to the main cities and urban centers in the country, and supply to rural areas is severely limited, despite increasing demand. An electricity industry policy is being developed by the Government. The main objective of this policy development in this sector is to adequately address issues relating to rural electrification, reliability and affordability.

2.3.1 Building on recent progress
Over the last five years, electricity policy has seen a number of positive developments. The current policy framework adopted by the Government consists of the following features:

- It provides exclusive service areas for PNG Power, although it allows for third party producers to supply PNG Power to support the latter sale to customers;
- It allows for third party investment in generation, retailing and network activities in areas outside current PNG Power exclusive areas, which includes rural areas.
- It allows for free entry to serve large customers (i.e. with loads of 10MWh or more)
- The Competition Commission implements a form of revenue cap regulation in relation to PNG Power, and sets licence conditions for the entity and other market participants.
Furthermore, the government’s assessment of the electricity supply industry has enabled PNG Power to attain the following results:

- PNG Power has been corporatised, which has given it a strong commercial focus;
- The managerial, operational and regulatory improvements made by the Government have turned PNG Power from a business that was close to insolvency into a profitable enterprise;
- It has embarked on a process of rehabilitating its generation assets to improve the reliability of service.
- It has collaborated with other investors to develop new power projects and generation capabilities, such as the Hides Joint Venture; and
- New power businesses are being issued in PNG. For example, in May 2007, a new licence was issued to PNG Sustainable Energy Limited to supply electricity in the Western Province.

2.4 Anticipated Outcome from Competition Developments

The current policy initiatives undertaken in these industries will improve efficiency and competitiveness in the market. The prime objectives of the government in regard to development of a national electricity policy and introduction of competition in the telecommunications industries are to:

1. improve the reliability of electricity supply and telecommunication services;
2. ensure power and mobile services are affordable; and
3. progress the roll out of electricity and telecommunication services into rural areas.

The benefits customers are likely to gain from competition in these markets are as follows;

- Access to efficient services and improved service standards;
- Reliable mobile communication and electricity services;
- Access to cheap and affordable prices;
- Customers will have a variety of products to choose from;

The End