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PNG PORTS REGULATORY CONTRACT (2010-2014)

RELEASE OF THE DRAFT REPORT—PNG PORTS CORPORATION LIMITED MIDTERM REVIEW OF COMPETITION IN FAIRFAX HARBOUR

The Independent Consumer and Competition Commission (“Commission or ICC”) wishes to inform relevant industry stakeholders and members of the general public that PNG Ports Corporation Ltd (PNG Ports) has invoked its right to seek a competition review by lodging its request on 30th April, 2012, in accordance with the PNG Ports Regulatory Contract (Regulatory Contract).

The Commission is required under the Regulatory Contract to release a draft report and draft decision on the midterm competition review by 30th June, 2012. It is the Commission’s intention to undertake the review in a transparent manner; hence the review process encompasses the following stages:

1. Submission of Competition Review Statement by PNG Ports - made on 30th April, 2012.
2. Release of the Draft Report by Commission - 30th June, 2012
3. Public Consultation on the Draft Report and Draft Decision - closing date of submissions: 31st July, 2012.
4. Release of the Final Report - 31st August, 2012

The Commission has concluded the draft report stage of the competition review hence, the Draft Report with the draft decision is now subject to further consultations and submissions from the general public and industry players before a Final Report and decision is made by the Commission.

In essence, the request for a competition review relates to the provision of port infrastructure services in the port of Port Moresby, in which, PNG Ports claims competition is provided by (a) Motukea Port operated by Curtain Brothers Ltd; (b) Steamships MES at its own wharf; (c) Bismark Maritime Ltd, at its own wharf and (d) Inter-Oil Ltd, at its own facilities at Napa Napa, with ship-operating customers of all players, including PNG Ports, using the aquatory of Fairfax Harbour to access those facilities.

In addition to this competition, PNG Ports has also sought the Commission’s agreement to vary its pricing structure to permit it to offer discounts off the tariffs approved by the Commission to certain customers.

The requests for review of competition and for pricing flexibility are dealt with first in this draft report. Following those matters, the Commission initiates discussions on the following:

- merits of inclusion of port storage services in the regulatory framework;

Release of the Draft Report—PNG Ports Corporation Limited Midterm Review of Competition in Fairfax Harbour—*continued*

- examines the implications for competition of the structure of charges, as opposed to the actual level of charges;
- describes the approach of PNG Ports to the regulatory regime;
- the shortcomings of the existing regulatory system; and
- invites consideration of changes to remedy those deficiencies in the interest of improving port efficiency, which has a crucial impact on Papua New Guinea's national economic performance as an archipelagic nation.

Submissions to the Commission will be available for public inspection unless the ICCC agrees that all or part of the submission should remain confidential. The ICCC has also made available with this Draft Report, the submissions made by PNG Ports including other additional information for inspection by the public.

Submissions to the Draft Report should be received by 31st July, 2012 and should be directed to; Associate Prof. Billy Manoka (PhD), Commissioner & CEO, Independent Consumer and Competition Commission, 1st Floor, Garden City Complex, Angau Drive, P.O. Box 6394, Boroko, National Capital District. Telephone: (675) 3252144, Facsimile: (675) 325 3980.

Inquiries on how to make a submission or to obtain a copy of the Draft Report and copies of PNG Ports' submissions should be directed to Paulus Ain, Executive Manager, Regulated Industries Division or Jack Timi, Manager Regulatory Affairs (Ports/Postal), on telephone 325 2144 or by fax on 325 3980 or via email on pain@iccc.gov.pg or jtimi@iccc.gov.pg.

Authorised by:

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