



April 21 2017

Independent Consumer and Competition Commission  
PO Box 6394  
**BOROKO**  
National Capital District

**ATTN: MR. PAULIUS AIN**

Dear Paulius,

**RE: KUMUL CONSOLIDATE HOLDINGS SEEKS CLEARANCE AND AUTHORIZATION FOR THE PROPOSED ACQUISITION OF SHARES IN PNG BEMOBILE LTD BY TELIKOM PNG LTD**

Thank you for giving Datec PNG the opportunity for a written submission on the proposed acquisition of shares in Bemobile Ltd by Telikom PNG LTD.

Please refer to our responses in *italics* to **Attachment A** below;

- a) The relevant market (s) or overlapping business areas (of Telikom and Bemobile LTD) you think the proposed acquisition would affect? - *This merger will affect the PNG mobile communications market. Overlapping business areas are i) Shared resources and infrastructure, cost reduction to consumers ii) Less one competitor at the market place, however there is no restriction on new entrants.*
- b) Based on the above response, what is the relevant market you consider appropriate for ICCC's consideration when assessing the completion effects? - *Market segregation is not advisable since there is a need for wider mobile coverage.*
- c) What serious anti-competitive effects would the proposed acquisition have, or would be likely to have, in the market (s) or in relevant overlapping business areas identified above? - *There will be less one mobile player. However, there is no limitation on new market entrants and therefore we do not envisage anti-competitive effect.*

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**DATEC (PNG) LIMITED**

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- d) In what way(s) do you think the proposed acquisition will result, or be likely to result, in improvements to the current level of competition in the relevant market(s) (identified above), should the acquisition be permitted? - *Cost saving accruals will be passed on to customers.*
- e) What are some substitutes for the services provided by Bemobile and Telikom? Please list them. - *Shared resources and infrastructure, cost reduction to consumers.*
- f) What are the likely competitive impacts the proposed acquisition will have on current, and potential, mobile telephony service providers, mobile/fixed data service providers and other related service providers? - *Current and potential service providers will reconsider service and price options which will be favourable to consumers.*
- g) What are the likely impacts of the proposed acquisition on the competitiveness of all services provided in the following markets in PNG:
- i) wholesale and retail mobile services market;
  - ii) fixed telephony services market; and
  - iii) mobile and fixed data services market - *With price reduction and improved service levels will result in competitive environment and better value to consumers.*
- h) Do you think the proposed acquisition will encourage or discourage new entrants into the wholesale and retail data services market and why? - *If potential new entrants are genuine with long term interest, their market entry should not be an impediment.*
- i) In your opinion, what are the barriers to entry in the wholesale and retail services market (identified above) and how significant are they? In providing your response on barriers to entry, please consider and offer your views about the:
- i) sunk costs
  - ii) regulatory and licensing requirements
  - iii) economies of scale and scope
  - iv) ability of the new entity (Kumul Telikom) and other players to deter new entry or retaliate by price cutting and
  - v) whether such actions in iv) would discourage new entry or expansion by existing firms. - *Kumul Telikom being a state owned entity, the acquisition is in the best interest of the country.*
- j) Do you consider that the proposed acquisition will result in the new entity (Kumul Telikom) becoming a vertically integrated firm in the markets identified in (g)? If so in what areas of the wholesale and retail markets identified in (g)? Do you consider this as harmful to effective competition in the relevant market(s) why? - *This will not happen as there is already competition in Digicel in the existing market which has a significantly large market share.*
- k) What is the likelihood that with the proposed acquisition, Telikom will be able to significantly and sustainably increase prices and profit margins? i.e. Would Telikom be able to increase its rates on services it provides in the markets identified in (g) in PNG? Please elaborate with examples. - *Consolidation or merger does not restrict rather brings in the best practises of both market players, hence it will drive innovation and growth. Eg: PNGBC and BSP merger.*
- l) Do you think dynamic factors such as growth, innovation and product differentiation will be limited in the wholesale and retail segments of the markets identified in (g) as a result of the acquisitions? Please explain your answer. - *PNG has been an open market which encourages and increases healthy market competition.*

- m) Would the proposed acquisition widen the scope of Kumul Telikom's business activities? Is it likely to enable Kumul Telikom to gain some form of "advantage" over current, and potential competitors in order to have the ability to raise prices of the services it provides, and expand its market share, in the wholesale and retail segments of the markets identified in (g)? - *Yes it will, will increase mobile coverage, reduce cost and improve service levels will benefit consumers and the economy.*
- n) *Does the proposed acquisition have the ability to bring about overall benefits to the PNG economy? If so, please elaborate with examples.* - Yes it will, will increase mobile coverage, reduce cost and improve service levels will benefit consumers and the economy
- o) Are there any other issues that you would like the ICCC to take into consideration in its assessment of the proposed acquisition? - *The acquisition should be done in such a manner that it does not affect existing employees in both organisations. Please consider national employees welfare.*

Should you require more information or if you have queries regarding our responses, please feel free to contact our Acting CEO, Mr. Gokul Naidu on phone number 3031498 or e-mail address [gnaidu@datec.com.pg](mailto:gnaidu@datec.com.pg).

Yours Sincerely,



Ms. Annuncia Kokiai  
GM – Datec NGN





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**ATTN: MR. PAULIUS AIN**

Dear Paulius,

**RE: KUMUL CONSOLIDATE HOLDINGS SEEKS CLEARANCE AND AUTHORIZATION FOR THE PROPOSED ACQUISITION OF SHARES IN PNG DATA CO. LTD (DATA CO) BY TELIKOM PNG LTD**

Thank you for giving Datec PNG the opportunity for a written submission on the proposed acquisition of shares in PNG Data Co Ltd by Telikom PNG LTD.

Please refer to our responses in *italics* to **Attachment A** below;

- a) The relevant market (s) or overlapping business areas (of Telikom and DataCo) you think the proposed acquisition would affect? - *This merger will affect the PNG mobile communications market. Overlapping business areas are i) Shared resources and infrastructure, cost reduction to consumers ii) Less one competitor at the market place. However there is no restriction on new entrants.*
- b) Based on the above response, what is the relevant market you consider appropriate for ICCC's consideration when asseing the completion effects? - *Market segregation is not advisable since there is a need for wider mobile coverage.*
- c) What serious anti-competitive effects would the proposed acquisition have, or would be likely to have, in the market (s) or in relevant overlapping business areas identified above? - *There will be less one mobile player. However, there is no limitation on new market entrants and therefore we do not envisage anti-competitive effect.*

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- d) In what way(s) do you think the proposed acquisition will result, or be likely to result, in improvements to the current level of competition in the relevant market(s) (identified above), should the acquisition be permitted? - *Cost saving accruals will be passed on to customers.*
- e) What are some substitutes for the services provided by DataCo and Telikom? Please list them. - *Shared resources and infrastructure, cost reduction to consumers.*
- f) What are the likely competitive impacts the proposed acquisition will have on current, and potential, retail service providers such as Internet Service Providers (ISPs) in PNG? - *Current and potential service providers will reconsider service and price options which will be favourable to consumers.*
- g) What are the likely impacts of the proposed acquisition on the competitiveness of all services provided in the wholesale and retail data services in PNG? - *With price reduction and improved service levels will result in competitive environment and better value to consumers.*
- h) Please list down names of current retail and wholesale consumers of data services in PNG that you are aware of. - *There are approximately 20 retail market players in PNG providing data services and wholesale consumers are Digicel, Telikom, 03b and VSAT service providers.*
- i) Do you think the proposed acquisition will encourage or discourage new entrants into the wholesale and retail data services market and why? - *If potential new entrants are genuine with long term interest, their market entry should not be an impediment.*
- j) In your opinion, what are the barriers to entry in the wholesale and retail services market (identified above) and how significant are they? In providing your response on barriers to entry, please consider and offer your views about the:
- i) Sunk costs
  - ii) Regulatory and licensing requirements
  - iii) Economies of scale and scope
  - iv) Ability of the new entity (Kumul Telikom) and other players to deter new entry or retaliate by price cutting and
  - v) Whether such actions in iv) would discourage new entry or expansion by existing firms. - *Kumul Telikom being a state owned entity, the acquisition is in the best interest of the country.*
- k) Do you consider that the proposed acquisition will result in the new entity (Kumul Telikom) becoming a vertically integrated firm in the wholesale and retail data services market? If so in what areas of the wholesale and retail data services market? Do you consider this as harmful to effective competition in the relevant market(s) why? - *This will not happen as there is already competition in Digicel in the existing market which has a significantly large market share.*
- l) What is the likelihood that with the proposed acquisition, Telikom will be able to significantly and sustainably increase prices and profit margins? i.e. Would Telikom be able to increase its rates on data services in PNG? Please elaborate with examples. - *Consolidation or merger does not restrict rather brings in the best practises of both market players, hence it will drive innovation and growth. Eg: PNGBC and BSP merger.*
- m) Do you think dynamic factors such as growth, innovation and product differentiation will be limited in the wholesale and retail data services market as a result of the acquisition? Please explain your answer. - *PNG has been an open market which encourages and increases healthy market competition.*
- n) Would the proposed acquisition widen the scope of Kumul Telikom's business activities? Is it likely to enable Kumul Telikom to gain some form of "advantage" over current, and potential competitors in

order to have the ability to raise prices of the services it provides, and expand its market share, in the wholesale and retail data services market? - *Yes it will, will increase mobile coverage, reduce cost and improve service levels will benefit consumers and the economy.*

- o) Are there any other issues that you would like the ICCC to take into consideration in its assessment of the proposed acquisition? - *The acquisition should be done in such a manner that it does not affect existing employees in both organisations. Please consider national employees welfare.*

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