



INDEPENDENT CONSUMER AND
COMPETITION COMMISSION

POSTAL SERVICES REGULATORY CONTRACT REVIEW
(2022 – 2026)



ISSUES PAPER

FEBRUARY 2026

Foreword

The Independent Consumer and Competition Commission ("ICCC") is a statutory body established under the provisions of the *Independent Consumer and Competition Commission Act 2002* ("ICCC Act"). The ICCC is vested with responsibilities under the *ICCC Act to promote* fair trading, regulate prices of certain goods and services, protect consumers' interest and undertake other related responsibilities.

The Postal Services Industry is an industry declared under the *Postal Services Industry Act* to be a regulated industry for the purposes of the *ICCC Act*. Accordingly, in 2002, the then Minister for Treasury declared Post PNG Limited ('**Post PNG**') to be a regulated entity and the supply of postal services to be regulated pursuant to Section 32 of the *ICCC Act*. For the purpose of this declaration postal services mean the supply of:

- a) A standard letter service for delivery in PNG;
- b) A standard letter service for delivery from PNG; and
- c) Rental of private letter boxes and bags.

During the last regulatory reset in 2016, the ICCC determined to apply a light-handed-regulation on Post PNG due to strong indirect competition from telecommunication industry which had a negative impact on Post PNG's regulated revenue. Since then, the ICCC has applied this light-handed approach during the **2017–2021** regulatory period and the current **2022–2026** period. Given the expiry of this Regulatory Contract by 30th December 2026, a review is now being undertaken to determine an appropriate regulatory approach that will apply to Post PNG.

As part of the public consultation process that leads to the determination of that regulatory approach, there is a need to re-examine the aspects of the Postal Services Regulatory Contract and adjust where necessary.

The review is being undertaken in accordance with Clause 4 of the Postal Services Regulatory Contract. Consistent with the public consultation process provided under this clause, the ICCC must meet the deadline in terms of its preparation of the final report, wherein the publication of the final decision must be made by no later than 30th November 2026.

In order to meet the deadline of the Regulatory Contract, the ICCC will follow the following timeframe below:

Release of Issues Paper	28th February , 2026
Receipt of public submissions	30 th April, 2026
Release of Draft Report	30th June, 2026
Receipt of submissions on the Draft Report by	31 st July, 2026
Proposed final Regulatory Contract	30 th September, 2026
Release of Final Report	30 th November 2026

To assist the ICCC in making informed decisions, the ICCC is calling for submissions from all interested parties, stakeholders and the general public. Any submission reached will be made available for public inspection unless the ICCC agrees that all or part of the submission should remain confidential. However, in accordance with the provisions of the *ICCC Act*, it is intended to make this process as transparent as possible, and to this end, submissions would normally be available for public inspection unless there are exceptional commercial-in-confidence reasons why submissions should be held confidential.

Submissions to this Issues Paper should be received by the ICCC no later than the 30th April 2026 and should be directed to:

Mr. Roy Daggy
Commissioner and Chief Executive Officer
Independent Consumer & Competition
Commission
2nd Floor Boroko Post Office
Building
P.O. Box 6394
BOROKO, NCD

For further details or enquiries in relation to this matter, please contact Mrs. Stella Mirisa Kora, Executive Manager - Regulated Industries & Productivity Division on telephone number **(+675) 312 4600** or via email at skora@iccc.gov.pg. A copy of the Postal Services Issues Paper can also be obtained from the ICCC's website at www.iccc.gov.pg.

Authorized by:



.....
MR. ROY DAGGY

Commissioner & Chief Executive Officer

Table of Contents

Foreword.....	1
1.0 Background of the Review	4
1.1 ICCC Roles and Objectives	4
1.2 Overview of Post PNG Limited	4
1.3 Purpose of the Review.....	5
2.0 Structural and Regulatory Issues	5
2.1 Current Operations of Post PNG.....	5
2.2 Competition.....	6
2.3 Form of Regulation	7
1.Regulation in other jurisdictions.....	7
2. Current form of regulation	7
2.4 Tariffs adjustments	8
2.5 Proposed draft regulatory contract.....	8
2.6 Key issues for considerations.....	8
1) Need for Ongoing Price Regulation	8
2) Market Power and Risk of Monopoly Pricing.....	8
3) Universal Service Obligation (USO) and Financial Sustainability.....	8
4) Future Regulatory Framework and Industry Modernisation	9
2.7 Public Consultation	9

1.0 Background of the Review

1.1 ICCC Roles and Objectives

The Independent Consumer and Competition Commission (**ICCC**) is responsible for administering the Independent Consumer and Competition Commission Act 2002 (ICCC Act) and related legislation. These laws provide the instruments through which regulated industries are monitored, consumers are protected, and competition is promoted. Competition encourages efficiency, economic growth, and improved living standards. In markets where competition is limited, the ICCC protects consumer interests through economic regulation.

The objectives of the ICCC include:

- Promotion of competition and fair trade in all markets;
- Protection of consumer interests; and
- Effective regulation of prices and service delivery standards for certain goods and services.

The ICCC acts as a consumer and business watchdog in Papua New Guinea.

1.2 Overview of Post PNG Limited

Post PNG Limited (“**Post PNG**”) is a state-owned enterprise providing letter and parcel delivery services across PNG. In 2002, the Minister for Treasury declared Post PNG a regulated entity under section 32 of the ICCC Act, and likewise declared postal services to be regulated.

The regulated postal services include:

- Standard domestic letters (up to 50 grams);
- Standard international letters (up to 50 grams); and
- Rental of private letter boxes and bags.

During the review conducted in 2016, it identified significant challenges for Post PNG due to declining demand for regulated services and strong indirect competition from telecommunications and electronic communications. As a result, the ICCC applied light-handed regulation, removing service standard requirements and limiting oversight on pricing.

Under the Postal Services Regulatory Contract (2022-2026), regulation focused primarily on setting prices for Post PNG’s regulated services, allowing flexibility for Post PNG to adapt to a changing commercial environment. The current contract expires on 31st December 2026, prompting this review to re-examine and update the regulatory framework as necessary.

1.3 Purpose of the Review

This review is guided by the Regulatory Principles outlined in Schedule 1 of the existing Regulatory Contract. Key principles require the ICCC to ensure that:

1. Post PNG has incentives to improve efficiency in delivering regulated services;
2. Post PNG's long-term financial sustainability is protected;
3. Post PNG faces competitive pressures approximating effective competition;
4. Regulated services meet reasonable service standards;
5. Implementation of government policy on regulated services is supported, subject to ICCC Act compliance;
6. ICCC Act objectives, particularly Section 5, are met; and
7. Significant new circumstances affecting Post PNG are considered, including proposed amendments to regulatory contracts.

The review aims to:

- Clearly define the regulated postal services market;
- Assess the level of competition; and
- Determine whether regulatory adjustments are needed to address indirect competition, market changes, and Post PNG's financial sustainability.

2.0 Structural and Regulatory Issues

Postal services in PNG are supplied by Post PNG, established under the Postal Services Act 1996. The current Regulatory Contract covers:

- Standard domestic letters;
- Standard international letters; and
- Rental of private letter boxes and mail bags.

There are 12 postal services offered by Post PNG, with 7 reserved services (including domestic and international letters, registered mail, franking services, private letter boxes, Salim Moni Kwik (SMK), and philatelic services) and 5 unreserved services. Post PNG retains a monopoly over reserved services, including letters under 250 grams, while other services like parcels operate in competitive markets.

2.1 Current Operations of Post PNG

Post PNG's regulated business has experienced declining performance, with regulated demand and revenue falling by approximately 10% and 7% per year, respectively. This is largely due to technological innovation and globalization, including:

- Email and fax;
- Mobile telephony;
- Internet telephony (Skype, WhatsApp); and
- Social media platforms (Facebook, Twitter).

These innovations have reduced letter volumes and revenue, highlighting the need to reassess the relevance of regulation and understand underlying regulatory risks, including:

- Monopoly rights of Post PNG;
- Protection of vulnerable consumers;
- Operational flexibility under competition pressure; and
- Administrative burden on both ICCC and Post PNG.

Effective regulation should promote efficiency while maintaining service quality, consumer protection, and industry performance.

2.2 Competition

Historically, postal operators functioned as monopoly providers due to the high fixed costs of maintaining nationwide delivery networks and the need to ensure universal access to basic services. Revenue from letter mail traditionally funded the delivery of services to rural and remote areas. However, global technological developments, particularly electronic communications and e-commerce, have significantly transformed postal markets.

Electronic alternatives such as email, mobile communication, and online platforms have caused a substantial decline in letter volumes. This has affected the primary revenue source used to fund universal service delivery and reduced the natural monopoly characteristics of postal services. At the same time, the growth of e-commerce has increased demand for parcel delivery services and attracted private courier and logistics operators. The parcel and express segment are now workably competitive, with operators differentiating themselves through speed, reliability, track-and-trace systems, and customer-focused digital platforms.

Customers also have rising expectations, demanding faster delivery, real-time tracking, and online service access. Meeting these expectations requires ongoing investment in technology and logistics infrastructure.

In Papua New Guinea, Post PNG faces similar structural changes. Declining mail volumes have weakened its revenue base, while private courier operators compete in profitable urban and high-volume routes. Post PNG, however, remains obligated to serve rural and remote areas, which are often loss-making, under its Universal Service Obligation (USO). While the USO promotes social and economic inclusion, it places financial pressure on Post PNG in the absence of sufficient cross-subsidy from letter mail.

From a regulatory perspective, several issues arise. First, there is an asymmetry in obligations: Post PNG is required to meet the USO requirements, while competitors do not. This raises concerns about cost recovery, competitive neutrality, and pricing. Second, declining letter volumes challenge the traditional cross-subsidy model, highlighting the need for alternative funding arrangements, efficiency improvements, or service rationalisation. Finally, to remain competitive in parcels and logistics, Post PNG must invest in digital systems, track-and-trace capability, and operational efficiency.

Despite these challenges, technology also creates opportunities. Post PNG can benefit from growth in e-commerce parcel delivery, provide agency services such as financial and government services, and leverage its existing post office network to improve service accessibility.

In conclusion, technological change has reduced the monopoly power of traditional postal services while increasing competition in profitable segments. In PNG, this has weakened the revenue base supporting the USO and exposed Post PNG to competition from operators not bound by universal service obligations. The regulatory challenge for ICCC is to ensure the long-term financial sustainability of the USO, maintain fair and competitively neutral market conditions, and promote efficient pricing and service delivery.

2.3 Form of Regulation

1) Regulation in other jurisdictions

Several countries have reduced direct price regulation of postal services in response to technological change, declining letter volumes, and growing competition from digital communication and courier operators. For example, New Zealand moved to a largely deregulated model where New Zealand Post operates on a commercial basis with minimal price control, while Sweden fully liberalised its postal market early and now focuses regulation mainly on universal service and service quality¹. In the United Kingdom, Ofcom removed most retail price controls on Royal Mail, retaining regulation only for basic single-piece letter services to protect consumers. Similarly, Germany and the Netherlands have shifted toward targeted or lighter-handed regulation, limiting price controls to monopoly segments while allowing competitive services to be commercially priced.²

The overall global trend is not complete deregulation but a transition from full tariff approval to lighter regulatory approaches such as price monitoring, competition law, and oversight of Universal Service Obligation (USO) performance. This reflects the need to give postal operators greater commercial flexibility to remain financially sustainable in the face of falling mail volumes, while still safeguarding affordability, accessibility, and nationwide service delivery. In most cases, regulation is retained only where there is residual monopoly power or where it is necessary to ensure the continued provision of essential postal services.

2) Current form of regulation

The 2016 Review recommended a shift from hard-handed regulation (2012–2016) to light-handed regulation (2017–2021), allowing Post PNG operational flexibility and reducing administrative burden. Post PNG has been subject to a light-handed price control approach, similar to price monitoring, enabling it to adjust prices while

¹ *Uni Global Union-Research on Liberations of Postal Services*

² *Organisation for Economic Co-operation and Development (OECD) – Promoting Competition in Postal Services*

considering competitive pressures. This same approach has been applied in the current regulatory contract from 2022 to 2026.

2.4 Tariffs adjustments

Post PNG has not made any application for price adjustments in the current regulatory period. Their prices have largely remained unchanged since 2022, and demand for regulated services has been negatively affected by competition.

2.5 Proposed draft regulatory contract

Post PNG is required under clause 4 of the existing regulatory contract to submit its proposed regulatory contract to the ICCC for review by 31st January 2026. This submission should show its current operational status, including its proposed price path, operational costs, capital expenditure plan, and volume forecast. However, it did not provide this submission despite of follow ups made by the ICCC. Given this, the ICCC has invoked section 36(4) of the ICCC Act and proceeded with the review instead.

2.6 Key issues for considerations

Given the above circumstances, the following are the key issues that ICCC would like interested parties and stakeholders to consider and provide their views and comments.

1) Need for Ongoing Price Regulation

To what extent does the essential nature of postal services and the current level of competition justify the continuation of price regulation?

- Is a transition to price monitoring under Section 33 of the ICCC Act sufficient in the current market environment?
- Would full deregulation promote efficiency and innovation without compromising consumer welfare?

2) Market Power and Risk of Monopoly Pricing

Does Post PNG continue to hold significant market power in reserved postal services?

- In the absence of direct price control, what is the risk of monopoly pricing or anti-competitive behaviour?
- Is the existing regulatory framework still necessary to safeguard users of regulated services?

3) Universal Service Obligation (USO) and Financial Sustainability

How can the continued delivery of the USO, particularly to rural and remote areas be ensured in a financially sustainable manner?

- Does the current regulatory approach adequately support the funding and delivery of the USO?
- Are there alternative regulatory or funding mechanisms that would better balance affordability, accessibility, and commercial viability?

4) Future Regulatory Framework and Industry Modernisation

Should the regulatory framework be updated to reflect changes in the postal market and support operational and technological modernisation?

- How can regulation encourage efficiency improvements, digital transformation, and improved service delivery?
- What form of regulation would be most appropriate for a transitioning and increasingly competitive postal sector?

2.7 Public Consultation

Given the current market dynamics and competition in postal and logistics services, the ICCC invites submissions from the public to inform the decision on the appropriate regulatory framework for Post PNG.