



Friday, 24 October 2008

Mr Thomas Abe
Commissioner & CEO
Independent Consumer & Competition Commission
PO Box 6394
Boroko NCD

Dear Commissioner,

RE: ISSUES PAPER - PNG WHOLESALE & RETAIL INDUSTRY REVIEW

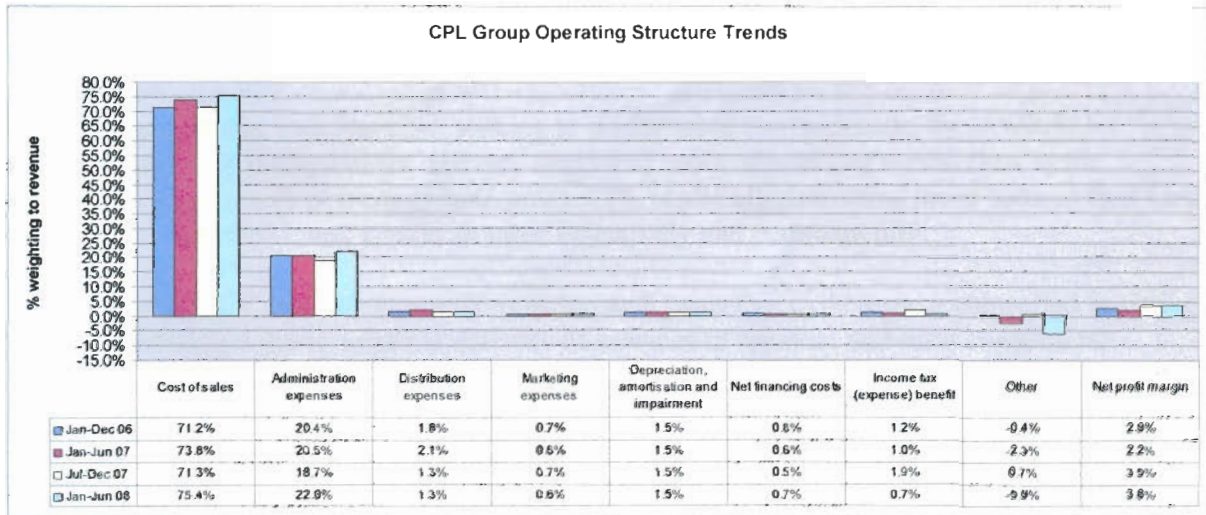
Please find enclosed CPL Group's response to the abovementioned Issues Paper.

We understand the intent of the Review is not to seek to re-regulate wholesale or retail prices in PNG, but rather to determine and better understand the cost drivers in the delivery chain from manufacturer/ supplier to the customer. On this basis the CPL Group welcomes and supports such an initiative. The CPL Group advocates strongly against any consideration of regulating the wholesale or retail prices of goods in PNG.

The CPL Group is one of the largest retailers and providers of consumer products in PNG. We are the only publicly listed retailer in this industry. Our financial performance and operational background is public knowledge through our semi-annual reporting to the POMSOX. We enclose copies of our Shareholder Reports to the POMSOX.

CPL shares the concern of consumer goods price inflation in the PNG market. This has a detrimental effect on our operational and financial performance. The following chart highlights the operating structure of CPL, per published financials.

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A net profit margin of 2-3% to shareholders is a direct reflection of the high cost structures of the PNG market for a business like CPL that has a wide geographical footprint, wide product offering, high standards and quality, and a real investment in staff welfare and development. CPL operating systems and efficiencies are world class, yet it remains challenging to earn appropriate net returns due to the impediments and challenges of the PNG market.

CPL distribution costs are disclosed in the financials as only 1.2 – 2.1% of revenues. These represent only direct transportation costs for domestic PNG transport and freight. The real costs of delivery of product require allocation and attribution of costs from Administration expenses and **COGS as they pertain to delivery chain costs**.

CPL does not consider a lack of competition in the PNG Wholesale & Retail industry to be the cause of increased goods prices. CPL considers the lack of an effective well managed national operating platform to be the key cause of high operational and delivery costs to the consumer.

Government Policy – PPP Opportunities

Our response highlights proactive initiatives CPL is already doing, without government assistance, to reduce costs and service to our customers (refer to page 9).

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CPL implores ICCC and Government consider such proactive Government controlled initiatives when considering ways to improve delivery of services to regional and rural consumers.

Yours sincerely

A handwritten signature in black ink that reads 'Ravi Singh' with a horizontal line underneath.

Ravi Singh
Acting CEO