
19th September, 2003

Mr Richard Flynn

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PORT MORESBY

National Capital District

Dear Sir,

DETERMINATION - LAGA INDUSTRIES ACQUISITION OF THE BUSINESS OF IMPORTING, MANUFACTURING AND PACKAGING OF ICE CREAM FROM TANUBADA DAIRY PRODUCTS LIMITED

After careful review and assessment of your Application, it is with pleasure that the Commission hereby grants Authorisation for Laga to acquire the business of importing, manufacturing and packaging of ice cream from Tanubada Dairy Products Limited in accordance with **Section 82 (3) (b) of the Independent Consumer and Competition Act 2002**.

In reaching this decision, the Commission took into account the following factors;

- (1) Laga acquisition of Tanubada, the only other manufacturer of ice cream in the country, by its very nature, is a monopoly and anti competitive and the Commission would under normal circumstances prevent such acquisitions where ever possible.
- (2) The Commission also took note of your reasons as to why the merger will not substantially lessen competition in the market and while they may make good economic sense, these grounds, per se, do not provide sufficient basis for discounting anti competitive behaviour in the face of post merger market power.
- (3) On the other hand, your alternative submission for authorization on public benefit grounds has been found to be most compelling

and provide a good basis for authorization even though there may be lessening of competition in the ice cream market.

Of particular significance in this respect are the potential for import substitution and the promotion and development of PNG's export trade as a result of efficiency gains. The resultant net gain to the people, the industry and the economy as a whole in terms of employment creation, government revenues including foreign exchange earnings, linkage business development and transfer of technology, among others, must surely outweigh any lessening of competition in the market place.

Import substitution and export promotion are indeed at the heart of the current Government's Export Driven Economic Recovery Program and need to be supported as much as possible.

It is for these reasons that the Commission has considered it necessary to grant authorization of Laga acquisition of Tanubada Dairy Products Limited. We believe this will enable Laga to be well positioned to take advantage of opportunities and continue to contribute to the well being of the people of this country and the economy and we would also like to believe that ICCC is a partner in this endeavour.

With that, may we take this opportunity to congratulate Laga on its achievements to date. We would also like to thank you and the two companies involved for your support and understanding during the period your application has been with us.

Yours sincerely,

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Hon. Bart Philemon, MP
 Minister for Finance and Treasury