



PAPUA NEW GUINEA CHAMBER OF COMMERCE AND INDUSTRY

Trukai Building, Lawes Road, Konedobu
P.O. Box 1621, Port Moresby, Papua New Guinea

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5 July 2006

Mr. Thomas Abe
The Commissioner & CEO
Independent Consumer and Competition Commission
P.O. Box 6394, Boroko
PORT MORESBY

Dear Mr. Abe,

RE: ISSUES PAPER OF TINNED FISH AND TINNED MEAT PRICING REVIEW

The Papua New Guinea Chamber of Commerce and Industry notes the release of the issues paper on "Tinned Fish and Tinned Meat Pricing Review". Some of our members will be replying directly with their views.

Feedback from our members indicates that the current pricing setting mechanism devised back in the early 1990s is not necessarily appropriate any longer in 2006. There has been a healthy increase in manufacturing and competition in many sectors along the manufacturing and distribution chain in Papua New Guinea not present previously. With changing times artificial restrictions to the pricing mechanism would be more harmful to healthy competition than good.

The price of fuel has been on the constant rise thus resulting as well in the unpredictable rise in cost of production, as fuel cost is a major cost component in fishing and in manufacturing.

It would be very impractical to regulate the items and be subjected to price control.

Yours sincerely,

Michael Mayberry
PNGCCI President



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Dear Mr. Abe,

RE: OTHER COMMENTS ON ISSUES PAPER OF TINNED FISH AND TINNED MEAT PRICING REVIEW

Further to the letter on Issues Paper of Tinned Fish and Tinned Meat Pricing Review, we are pleased to submit a copy of comments made by the Chamber Members.

Thank you.

Yours sincerely,

Michael Mayberry
PNGCCI President

This submission is confined to Item 5 of Wholesale Margin and Item 6 of Retail Margin on Tinned Fish and Tinned Meat Products.

The ICCC and the applicable regulations (unless there has been amendment the trade is unaware of) are silent on the situation which faces many wholesalers in the small centres, yet collectively they represent a significant part of the total domestic market in the country.

This group on many occasions is forced to purchase from large wholesalers in the major centres such as Lae and Port Moresby because of the pricing practice of some manufacturers.

Due to the huge volume, big wholesalers in the large centres can buy at any one time from the manufacturer, significant volume discounts and rebates are offered which makes it extremely attractive for the small wholesalers to purchase from the large players instead of buying from the factory direct.

This practice discourages small players to purchase from the factory but it does introduce uncertainty for the wholesalers and retailers in the small centre in the applicable margins to apply.

Under the current regulations when a retailer purchases from another wholesaler a margin of 10% (unrelated entity) is allowed. But when the retailer purchase direct from the manufacturer a margin of 18% is permitted.

A problem arises when the manufacturer's selling price to the small wholesaler is higher than selling price to the large wholesaler.

What is the allowable margin if the small wholesaler (having purchased at a lower price from the large wholesaler than the factory price) wishes to wholesale? By implication he is not allowed to wholesale. He is only allowed to retail at a maximum margin of 10%.

The regulation and 'General Price Order 2000' Schedule 1, is silent on this point.

Recommendation:

What is suggested is that where the large wholesaler sells at a lower price than the factory price to another wholesaler then the maximum allowable margin is still 10% and the maximum allowable retail margin is 18%.

In other words, the 'General Prices Order 2000' Schedule 1, Columns 2 and 4 should include an amendment and it reads.

Column 2

"Allowable % wholesale Margin, if goods imported or purchased from local supplier whose price is lower than the manufacturer".

Column 4.

"Allowable % retail margin if goods are imported or purchased from local supplier or whose price is lower than the manufacturer".

This removes the uncertainty facing by small operators in the small centre and avoids being penalized under the 'General Prices Order 2000' and other relevant regulations. The amendment would also encompass other goods which are price controlled.