



INDEPENDENT CONSUMER & COMPETITION COMMISSION

**SERVICE STANDARD REPORT FOR REGULATED PUBLIC ENTITIES FOR 2005
AND 2006**

June 2007

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Foreword

Public monopoly services such as electricity, ports, compulsory third party motor vehicle, postal and telecommunications were regulated under the provisions of the Prices Regulation Act. Under the wider regulatory reform that was undertaken in 2001 and 2002, Regulatory Contracts with each of the public monopolies have been constituted under the provisions of the ICCA Act and offer a number of advantages to consumers, the Regulated Entity itself, and to the wider PNG economy over the previous form of regulation. The Independent Consumer and Competition Commission (**Commission**) regulates the entities that provide these services and monitors their performance in terms of their performance standards set out in their respective Regulatory Contracts.

As part of the service standard monitoring, the Commission is required to compile a report on the performance of the regulated public entities and their plans going forward. Except for Eda Ranu and PNG Waterboard, these public entities are required under their respective Regulatory Contracts to submit timely reports on their service standard performance. This Report has been compiled after compiling the service standard reports.

The Report outlines the performance standard of the respective entities as required under its respective regulatory instruments such as the Regulatory Contract, Licences and official Codes of Practice which outline the minimum requirement, and also reports on the entities' performance against these requirements during the preceding regulatory year.

The expectations of the Parliament and of the people of Papua New Guinea is that these regulated public monopolies will meet their minimum performance standards, thereby ensuring the delivering of services to the community at levels commensurate with the price that users are expected to pay to use their services.

The Commission was given the task to monitor performance against these standards, and in certain circumstances, to apply penalties where performance fails to meet the standards. At a minimum it was expected that the performance of these entities against the set standards would be made public by way of annual reports by the Commission to Parliament.

This document reports on the performance of these public monopolies in 2005 and 2006 against the designated performance standards stipulated under their respective regulatory contracts and all regulatory instruments, hence, it is the first such public report. It is anticipated that future reports will be published annually.

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THOMAS ABE
Commissioner & CEO

Overview of Reporting Arrangements

1.0 Introduction

In enacting the *Independent Consumer and Competition Commission Act 2002* (“**ICCC Act**”), the PNG Parliament brought into being not only the Independent Consumer and Competition Commission (“Commission”) as a body responsible to enforce competition law and pricing for regulated industries, but an organization which had as one of its tasks the overseeing of performance standards by public monopoly entities. The regulatory arrangements that were introduced at the same time as the ICCC Act, established predetermined price paths for the public entities concerned, requirements for minimum levels of new capital investment by most of these entities, and the establishment of minimum performance standards against which actual performance by the entities could be measured.

The expectations of the Parliament and of the people of Papua New Guinea was that these regulated public monopolies would meet these minimum performance standards, thereby ensuring the delivering of services to the community at levels commensurate with the price that consumers were expected to pay to use their services.

The Commission was given the task to monitor performance against these standards, and for certain entities, to apply penalties where performance failed to meet the standards. At a minimum it was expected that the performance of these utilities against the set standards would be made public by way of annual reports by the Commission to Parliament.

This document reports on the performance of these public entities in 2005 and 2006 against the designated performance standards. It is the first such public report. It is envisaged that future reports will be published annually.

The public entities reported upon in this document are:

- PNG Power Limited
- Telkom PNG Limited
- PNG Ports Corporation Limited
- Motor Vehicle Insurance Limited
- Post PNG Limited
- PNG Waterboard
- Eda Ranu

With the exception of Eda Ranu and PNG Waterboard, these public entities are referred to in the ICCC Act as regulated entities. As such they are subject to a Regulatory Contract which sets out the conditions under which they are to operate, the price path for their services, and the service standards they are expected to achieve. For Eda Ranu and PNG Waterboard, they have independently entered into an arrangement with the community by way of ‘Customer Contracts’ and ‘Service Standards Obligations’.

whereby their service standard obligations are set as targets against which they will be judged.

To meet its obligation to monitor the performance of these public entities, the Commission requires that they report annually on their performance against the standards set. The Commission has power to require an independent assessment of an entity's performance in some instances, and although the Commission has queried and questioned some of the information supplied by these entities, it has generally found the information provided to be satisfactory in terms of meeting the reporting requirements.

In interpreting the performance of individual entities against its performance standards, it is useful to note that this form of reporting and review is a relatively new initiative and thus some of the utilities are still coming to appreciate the obligation that is placed upon them. More important than simply the comparison of performance against requirement is what action is being taken to address shortfalls in performance. This report seeks to provide some information on intended action to address any shortfalls that have been identified.

2.0 Legislative Requirement

The principal piece of legislation which empowers the Commission to review service standards against performance is the ICCA Act. This Act establishes the Regulatory Contracts (in other jurisdictions they call it tariff order) which are the regulatory instruments used for setting performance requirements and enforcing these requirements.

These Regulatory Contracts specify the service standard requirements of the Regulated Entity, the price path that will apply to the Regulated Entity over an agreed period, the Pricing Principles that are to be applied in reviewing that price path at some future date, the capital expenditure requirements of the Regulated Entity, the penalties that will apply if the regulated entity fails to meet the service standard and the capital expenditure requirements built into the price path and forming the basis of the Regulatory Contract.

Quality of service monitoring is supported through the main enabling legislation, that is the ICCA Act as well as the specific Industry legislation and other regulatory provisions contained under regulatory instruments such as licences and Codes of Practice which give the Commission power to undertake the monitoring function, require service providers to give relevant information relating to quality of service to the Commission, and provide that the Commission may impose penalties where service standards are not met.

Legislative provisions vary with the circumstances of the industry being regulated. There are specific industry legislation (Acts), which allow for the Commission to Report to the Parliament on the operations of that particular industry as well as its performance standards. These reports are to be provided within 12 months to the end of each regulatory year. The reporting requirement differs from industry to industry. For example,

under the *Telecommunications Act*, it is stipulated under Section 193 that the Commission shall report to the Parliament on the performance and operation of the Industry including quality of service. Thus the requirement is much greater than simply reporting on performance standards although this report primarily focuses upon performance standards.

The other industry legislations include the following:

- Telecommunications Industry: Telecommunications Act 1996 (S.193)
- Electricity Industry: Electricity Industry Act (Ch 78) (S.22)
- Compulsory Third party Insurance : Motor Vehicle (Third Party Insurance) Act Ch 295
- Postal Industry: Postal Services Act 1996
- Ports Industry: Harbours Act (Chap.74)

Generally, the Commission is required under Section 7(3) of the *ICCC Act* to publish statements, reports and guidelines relating to the performance of its functions including but not limited to promotion of competition and fair trading, the regulation of prices for certain goods and services, and the protection of consumers. The reporting of performance standards of Regulated Entities and monopoly public utilities is seen as part of meeting this requirement.

Sector Specific Reports

A. ELECTRICITY INDUSTRY

1.0 PNG Power Limited

1.1 Service Standard Requirement

Under the current regulatory arrangements, PNG Power Limited (“PNG Power”) is required to report to the Commission on a quarterly basis on the following service standard variables which measure the quality of service in the electricity supply to consumers:

- *total energy delivered to customers*
- *total energy consumed by customers*
- *total energy not delivered to customers*
- *unserved energy ratio*
- *number of planned outages*
- *number of new connections made*
- *number of connections not made by required connection date*

As stipulated under Clause 2 of the Electricity Code, PNG Power is required to use its best endeavors to report on its performance against the following service standards for each calendar year:

- *the unserved energy ratio in a service area for that year must not be greater than the Reliability Target for that year as set out in Clause 2 of the Code (see Attachment 1) for the service zone in which that service area is located;*
- *the number of planned outages occurring in that year:*
 - *that affect premises which are located in a service area and to which electricity is supplied by PNG Power; and*
 - *of which the required notice is not given;**must not be greater than 5% of the number of planned outages occurring in that year that affect premises which are located in that service area and to which electricity is supplied by PNG Power; and*
- *the number of new connections in respect of premises that are located in a service area which are not completed in that year by the required connection date must not be greater than 2% of the number of new connections in respect of premises that are located in that service area which have been completed or, if they had been completed by the required connection date, would have been completed in that year.*

These service standard requirements are used to determine if PNG Power is achieving its reliability targets in supplying electricity throughout the country.

In accordance with *Clause 6 of the Electricity Regulatory Contract*, if PNG Power fails to meet the minimum service standards, there are rebate provisions of which PNG Power would be obligated to pay its customers. For example, if PNG Power fails to meet its Reliability Targets which are set under the Regulatory Contract for different service areas, then customers within the relevant service areas (refer to Attachments 1 and 2) are entitled to receive rebates from PNG Power by way of charge deductions against the first bill issued after the connection is made.

Similarly, PNG Power is required to pay a planned outages rebate if planned outages in its electricity network which have not been pre-notified exceeds 5% of the planned outage in a year. Again the rebate is by way of deduction against the first bill following the end of the year.

PNG Power is also required to connect new customers to distribution networks within certain time period depending on which zone and service area that the customer is located. A customer is entitled to a rebate if PNG Power fails to connect that customer within the set time period. A sum of K20 for each day after the required connection date and expiring on the day after the new connection is made. A table outlining maximum connection time is given in Attachment 3.

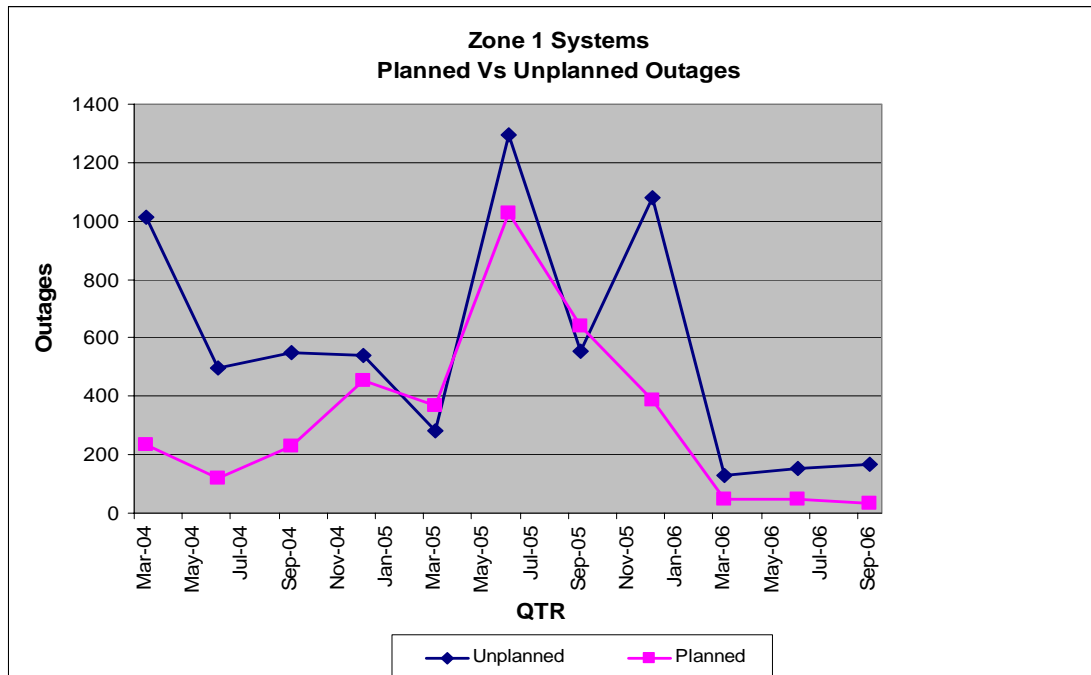
As part of informing the general public, PNG Power is required to provide this rebate eligibility information to its customers.

1.2 Performance

The Commission has commenced the process whereby service quality data will be collected from PNG Power. This has required detailed specification of specific data requirement. The first full set of service standards report against these agreed data requirement are expected by 2007.

As part of its reporting requirement PNG Power has reported on the number of power outages occurring each year. The cases reported for 2005 were significantly higher comparing to 2004 and 2006 in the Port Moresby, Ramu and Gazelle power systems (Figure 1.1).

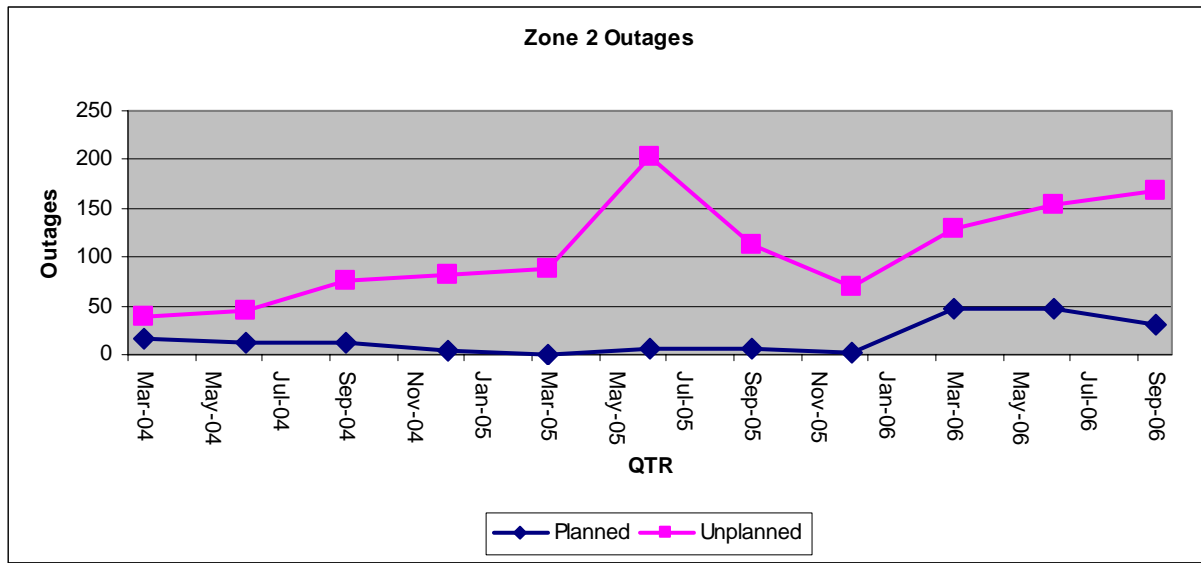
Figure 1.1: Planned and Unplanned Outages in Zone 1



As depicted above, in the June quarter 2005, PNG Power’s service standards in respect of outages including both planned and unplanned interruptions reached very high levels for the period. It reached to around 1300 and 1200 outages respectively in the quarter. Unplanned outages were again at high levels in the December 2005 quarter while planned outages declined significantly. As a result of these outages, more than 12,000 Megawatt hours has been lost in the period April to December 2005 through the network either through generator loses, transmission line loses or distribution line loses. Loses occurring at generation are mainly due to condition of the generator. Loses occurring at the transmission stage are due to transformer efficiency and/or age of connection hardware and auxiliary hardware. Essentially, these are issues that can be addressed by improved maintenance regimes or new capital expenditure.

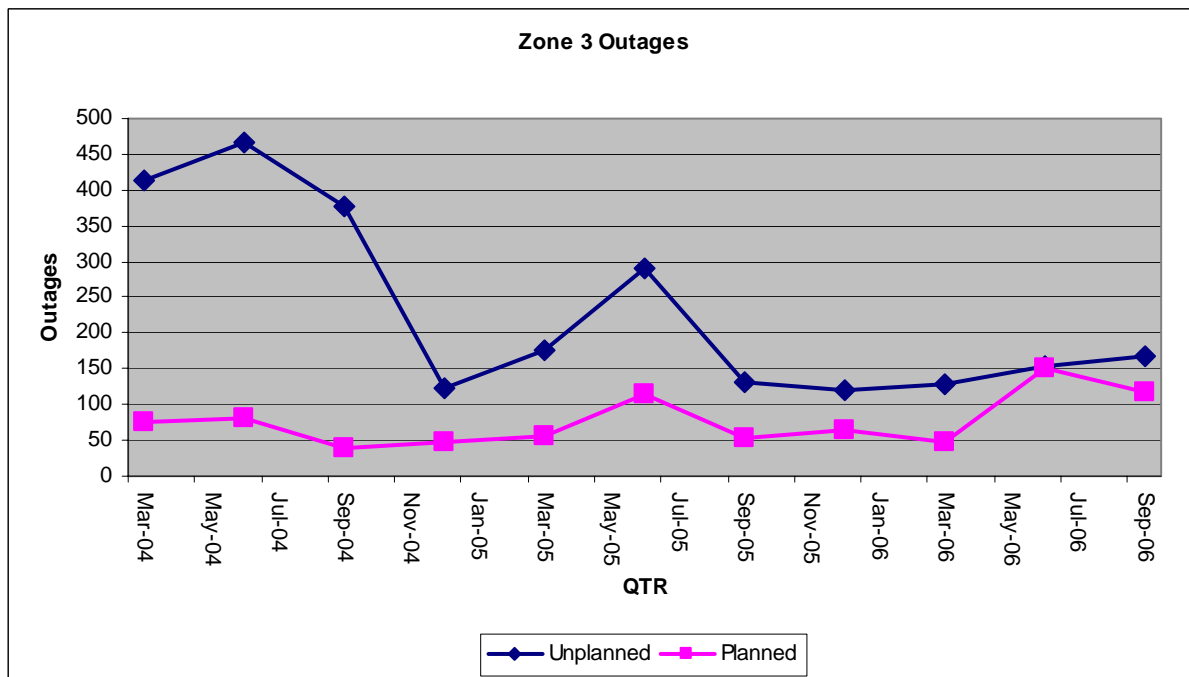
It is noted that there has been a relatively lower outage rate in 2006 by comparison to 2005. Correspondingly, PNG Power has advised that to reduce the increase in unplanned outages they have taken the steps to improve in their performance in this area. PNG Power as part of its Capex program to improve efficiency in the network has undertaken significant new capital expenditure. For instance, PNG Power recently announced plans to improve generation and transmission sectors at Rouna and Ramu grids respectively funded through some internal borrowing arrangement with PNG superannuation funds and commercial banks.

Figure 1.2: Planned and Unplanned Outages in Zone 2



It appears that outages in Zone 2 which comprises of the Wewak and Kimbe systems are mostly attributed to unplanned outages. From mid 2004, there has been a strong growth in unplanned outages. On a quarter to quarter basis, planned outages have been relatively steady at about 30 outages average from March 2004 to September 2006. The systems concerned are relatively less complex than the Zone 1 systems, and as a result less costly to operate. However, it is of some concern that there remains to be a high number of unplanned outages over the period of the reports.

Figure 1.3: Planned and Unplanned Outages in Zone 3



As outlined in Figure 1.3, there were a high number of outages attributing to planned interruptions basically at generation levels in Zone 3 systems over the period. This has effectively contributed to high levels of Unserved Energy Ratio in the Zone 3 areas. PNG Power noted that these interruptions were caused by failure of equipment at the generation and distribution sectors and some human error or natural causes. PNG Power has undertaken to improve this situation by improving the maintenance of its generation facilities to achieve more technically efficient systems.

In terms of reliability targets, it is stipulated under Clause 2.1 of the *Electricity Code* that PNG Power is required to ensure that the unserved energy ratio is not above the target set in the Regulatory Contract. The unserved energy ratio is the ratio of undelivered energy to the total energy delivered. PNG Power exceeded the designated ratio on several occasions. This means that during the year 2005 and 2006¹, there were a greater proportion of outages than specified in the standard requirement. This problem appears to be evident in all zones (see Table 1.1)

Table 1.1: Unserved Energy Ratio

Reliability Targets (%)						
Regulatory Year	Service Zone 1		Service Zone 2		Service Zone 3	
	Target	Actual	Target	Actual	Target	Actual
2003	1.1	n/a	n/a	n/a	n/a	n/a
2004	0.8	0.73	n/a	1.3	n/a	3.7
2005	0.6	0.67	1	0.05	1.5	1.6
2006	0.5	0.75	1	0.08	1.5	1.7
2007	0.4	n/a	1	n/a	1.5	n/a
2008	0.3	n/a	1	n/a	1.5	n/a

In terms of connecting new customers to the distribution networks within the required time, it is noted that PNG Power has not achieved the target level of performance over the reporting period. The Zone 1 service areas remain those with the highest number of connections as well as those with the highest proportion not connected on time. However, some improvement is evident in more recent years reflecting a gradual improvement in PNG Power's overall performance.

Table 1.2: Total Connections – Zone 1

Regulatory Year	Total Connections	Connections Not completed on time	Max.%	Actual %
2003	-	-	2%	-
2004	571	261	2%	46%
2005	1311	106	2%	8%
2006	1245	74	2%	6%
2007	-	-	2%	-

During 2004, there were a very high proportion of new connections not completed on time in Zone 1. In 2005 and 2006, the rate declined to 8 and 6 percent respectively. However, as stipulated under Clause 2.1(c) of the Code, the percentage of new connections that fail to meet the connection date must not be greater than 2%. PNG

¹ Outage figures for 2006 is only up to Sept Quarter

Power therefore while showing some improvement still has exceeded the standard required.

Table 1.3: Total Connections - Zone 2

Zone 2				
Regulatory Year	Total Connections	Connections Not completed on time	Max. %	Actual %
2003	-	-	2%	-
2004	61	5	2%	8%
2005	82	3	2%	4%
2006	100	7	2%	7%
2007	-	-	2%	-

Zone 2 centres of Wewak and Kimbe have less customers connecting to the service. On an annual basis, the average new connections are 81 connections. These are standalone systems operating independently from a national grid structure. With less people applying for connections there is less delay in completing connections in absolute terms. Nevertheless, in 2005 and 2006, the proportion of those not connected as a percentage of total connection was still above the maximum level set under the standard.

Table 1.4: Total Connections – Zone 3

Zone 3				
Regulatory Year	Total Connections	Connections Not completed on time	Max. %	Actual %
2003	-	-	2%	-
2004	16	4	2%	25%
2005	337	45	2%	13%
2006	259	12	2%	5%
2007	-	-	2%	-

Unlike the other zones, Zone 3 centres comprises the smaller areas of PNG which are not connected by bigger grids and which have fewer customers connected to individual standalone systems. On an annual basis, new connections are summed across the zone to provide the basis for calculating the proportion of people not connected on time albeit on different standalone systems. Hence, the summary of the statistics may distort the requirement for individual standalone service areas. The performance across this zone falls short of the standard set, although there have been significant improvements made.

PNG Power has identified several logistical problems throughout all zones which have delayed new connections. These problems include:

- Inspections delay;
- No materials on site;
- Vehicle break down; and
- Meter box theft

To address these problems and seek to meet the standards, PNG Power has advised that it will correct or improve issues of logistics and timely attendance of officers to the point of connection. PNG Power notes that it recognises the need to meet the

connection standards and is encouraged to do so in order to discourage illegal connection to its systems.

1.3 Commission Comments

The Commission is currently in the early stages of applying the regulatory contract service standard requirements for PNG Power as outlined in the Electricity Regulatory Contract. Also, as part of its ongoing regulatory role, the Commission is drafting the Customer Sale and Supply Contract as part of its wider objective of improving service quality.

At this time, the Commission is not able to obtain all the data requirements to assess PNG Power's performance standards. However, from the data that is available, the Commission notes an improvement in performance standard over time, although PNG Power still falls short on the standards discussed above.

The Commission will be following on the failure to perform with PNG Power and will also be examining ways in which the penalty clauses for failure to perform can be applied.

B. TELECOMMUNICATIONS INDUSTRY

1.0 Telikom PNG Limited

1.1 Service Standard Requirement

In addition to any other service standards contained in any regulatory instruments issued under the relevant legislations, Telikom PNG Limited including Pacific Mobile Communications (Telikom) is required under the Regulatory Contract to use its best endeavours to:

- *connect customers to the fixed telecommunications network that is operated by Telikom, with such connections being effected on or prior to the Required Connection Date which applies to that connection; or*
- *rectify any fault in a service provided to that customer by the fixed telecommunications network that is operated by Telikom, with such rectification being achieved on or prior to the Required Service Restoration Date which applies in respect of that rectification*

The required connection dates are summarised in Attachment 4.

Telikom's minimum service standards are linked to penalty provisions provided under the Regulatory Contract. As stipulated under *Clause 7 of the Telecommunications Regulatory Contract*, Telikom is required to pay customer rebates if Telikom fails to meet the service standard requirements specified in the Regulatory Contract. These rebates are by way of a deduction against the first bill in respect of fixed network services to the relevant customer. In addition, depending on the type of failure, rebate provisions are also applied if Telikom fails to rectify or not connect customers within the required service restoration date. If the failure results from an uncontrollable event, Telikom will have to provide evidence of such uncontrollable failures to the Commission in order to justify the outage and avoid payment of the penalty.

As part of the information it is to provide to the general public, Telikom is required to provide details of these rebate arrangement to all customers.

1.2 Performance

The Regulatory Contract gave Telikom a period of grace before service standards took effect. In addition, the Commission delayed enforcement of the standards initially because of changed circumstances in the operation of the business and the government's decision to abort the sale and then partial sale of the business. The Commission's decision was taken in recognition of the operational difficulties Telikom faced during the period of preparing for sale and then partial sale.

This moratorium on the enforcement of the service standards has now ended. Accordingly, the Commission will from 2007 require Telikom as part of its obligation

under its licence and the Regulatory Contract to provide relevant information which can demonstrate whether or not service standards are being met. Where service standards are not being met, the Commission will enforce the penalty provisions on Telikom.

In terms of the mobile network, Telikom PNG has in recent years upgraded its GSM network configuration to address some of the congestion and the call drops problems being encountered on the network. Moreover, Telikom is in the process of further upgrading its systems capability to accommodate the increasing mobile demand as a result of extension of its network to many centres in PNG. However, detailed statistics have yet to be provided to the Commission to allow an assessment of whether it is meeting its service standards requirements.

1.3 Commission Comments

Although the Commission did not enforce the service standard requirements in the initial years of the Regulatory Contract, it has nonetheless discussed with Telikom the need to improve its quality of services. Based on these discussions, Telikom has undertaken some initial steps to improve its current services. Notably, among other improvements made by Telikom is the mobile GSM network upgrade from the initial 50,000 to 150,000 connections (now expanded further). The Commission will now be enforcing this requirement on the business to ease the traffic congestion. Telikom has, however, not reported on its overall performance statistics.

C. WATER & SEWERAGE INDUSTRY

1.0 Eda Ranu & PNG Waterboard

1.1 Service Standard Requirement

The Commission's Final Report on the Water and Sewerage Pricing Review required each water entity, Eda Ranu and PNG Waterboard to develop and publish a Customer Services Contract which outlines their responsibilities in providing water and sewerage services as well as the rights and obligation of customers. The Report also required both entities to identify their service standards performance targets by the end of 2006.

1.2 Performance

Consistent with the Final Report of the Water and Sewerage Pricing Review, Eda Ranu and PNG Waterboard established their customer services contracts in early 2006 and have identified their service standards performance targets within the given timeframe. Notwithstanding their primary responsibility of providing water and sewerage services to their customers, both entities have slightly different service requirements and performance standards reflecting the different locations in which they operate. The service standard performance requirements for both entities are in Attachment 5.

The service standards were established and agreed towards the end of 2006 and the reporting process will commence in the year 2007. Eda Ranu and PNG Waterboard will produce relevant data and inform the Commission on their performance against their agreed targets.

1.3 Commission Comments

With the receipt of the information from each entity, the Commission will publish a report on the performance of Eda Ranu and PNG Waterboard as part its future annual performance standard reports.

The performance of Eda Ranu and the PNG Waterboard against the revised standards agreed will also be used in making future price path determinations by the Commission.

D. COMPULSORY THIRD PARTY MOTOR VEHICLE INSURANCE INDUSTRY

1.0 Motor Vehicle Insurance Limited

1.1 Service Standard Requirement

There are two main service standards requirement stipulated under the Regulatory Contract for Motor Vehicle Insurance Limited (MVIL). These are:

- *requirement to provide, either itself or through an agent, facilities in each provincial capital in PNG at which owners of motor vehicles can complete all necessary documentation to obtain Third Party Insurance Cover from MVIL in respect of their motor vehicles and can pay the applicable premium, such facilities to be open and accessible to members of the public during ordinary business hours on all business days in those Provincial capitals; and*
- *the requirement to establish, either itself or through an agent, in each Provincial capital in Papua New Guinea claims assessment and claims payment facilities at which Customers wishing to make a claim for damages in respect of the death of or bodily injury caused by, or arising out of the use of, a motor vehicle(including claims for compensation payable under the Motor Vehicles (Third Party Insurance) (Basic Protection Compensation) Act (Chapter No. 296)) can make such claims, have such claims processed and, if necessary, forwarded to central claims assessment facilities located in Port Moresby, raise queries in relation to claims assessment processes and, where appropriate, receive payments in respect of such claims, such facilities to be open and accessible to members of the public during ordinary business hours on all business days in those Provincial capitals.*

1.2 Performance

In accordance with the above requirements, MVIL has reported on its initiatives to have a presence in as many localities as possible throughout PNG. It has achieved this by establishing offices or by the use of agents, where applicable, based on commercial judgement as well as after considering the associated risks. MVIL has indicated that it has now upgraded some of its agents to full service MVIL offices. The following identifies the existing points of presence across the country:

- **Highlands Region**
 - 6 Agents – Goroka, Wabag, Porgera, Kainantu, Mendi and Kundiawa
 - MVIL Regional branch – Mt Hagen
- **Momase Region –**
 - 4 Agents – Wewak, Vanimo, Madang and Bulolo,
 - 2 Sub agents - Karkar and Gusap

- MVIL Regional branch - Lae
-
- **New Guinea Island Region**
 - 5 Agents – Buka, Kimbe, Manus, Kavieng and Lihir
 - MVIL Regional branch - Kokopo
- **Southern Region**
 - 4 Agents – Kerema, Daru, MVIL Headquarters (POM) and Popondetta
 - 2 MVIL Regional branches – Central Traffic Registry Services (Gordons) & Motor Traffic Registry Services (Hohola)

The four (4) full service MVIL offices located in four regional centres are:

- Rabaul;
- Lae;
- Mt Hagen; and
- Motor Traffic Registry Service (Port Moresby)

MVIL is to inform the Commission regularly on its efforts to establishing points of presence in all 19 provincial capital and urban centres as required under *Schedule 4* of the Regulatory Contract. MVIL has indicated to the Commission that it faces difficulties with respect to reliability in communications and security concerns for officers in a number of these regions, especially in the Highlands region. This has hindered its ability to establish points of presence as proposed. However, it is continuing to upgrade its office administration capabilities so as to provide continued improvement in service to areas outside the full service offices.

1.3 Commission Comments

MVIL's existing and current points of presence have increased and the Commission will continue to encourage it to increase its point of presence in as many locations as possible to avoid people travelling all the way to Port Moresby for claims. MVIL is continuing its efforts to establish its presence in as many localities as possible throughout PNG. MVIL continues to establish offices or agents, where applicable, based on commercial judgement. It has been reported that since the implementation of the two-in-one registration sticker, MVIL has upgraded some of its agents to fully fledged MVIL offices.

The infrastructure required in establishing offices outside of Port Moresby is significant and relies upon the availability of support services. Some of the more significant cost components stem from the need for effective telecommunication links to MVIL's main office. MVIL has reported that data transfer presents a significant challenge in view of insufficient bandwidth available to increase data speed for internet services. Improvements to the services provided by MVIL to this sector depend on the efficiency of the telecommunications sector.

E. PORTS INDUSTRY

1.0 PNG Ports Corporation Limited

1.1 Service Standard Requirement

PNG Ports Corporation Limited (PNGPCL) (*formerly PNG Harbours Limited*) is required under the current regulatory arrangement to provide minimum service standards at all declared ports. These requirements are:

- *Wharves must be maintained in such a manner as to allow for the safe berthing of vessels with a minimum size of 57m, Beam 9.8m, Draft 3.3m, and in addition, allow safe carriage of fully loaded “20 foot” containers, placed onto a standard tractor-drawn 4 wheel container trailer.*
- *A suitable hardstand area must be maintained to allow safe manoeuvre of tractors and container trailers loading and unloading containers.*
- *Roads and pavements within wharves must be well maintained, free of large potholes or failed area such that container trucks can load and unload without hindrance*
- *Ports are required to have 1.80 metre chain wire fence around the wharves for security. The fence must be maintained to prevent unauthorised access to the wharf.*
- *Each port is required to have a suitably equipped office that must be manned during normal office hours with functioning radio for communication purposes, to ensure that vessels can obtain essential port services.*
- *Town water must be available for vessels*
- *Each port office must have access to full telecommunication service*
- *Power (3ph 415 v) must be available, supported by a functioning back-up generator of suitable capacity; if primary power supply is PNG Power reticulated supply.*

PNGPCL reports to the Commission on an annual basis on its compliance with these service standards.

1.2 Performance

PNGPCL operates 16 of the 22 declared ports in PNG including the ports of Aitape and Samarai, which are operated by agents on behalf of PNGPCL. The six remaining declared ports are operated by commercial interest (e.g Bialla and Lihir) or are non-operational. PNGPCL reported to the Commission that in 2006, the ports of Port Moresby, Lae, Kimbe, Rabaul and Oro Bay complied with all the minimum service standards requirements, whilst the remaining ports of Aitape, Alotau, Daru, Buka, Kavieng, Kieta, Lorengau, Madang, Samarai, Vanimo and Wewak met all the requirements except for not having a standby power generator.

This met almost all the required minimum performance standards set as outlined above. PNGPCL advised that standby power was not a requirement in the ports which do not have such facilities. As part of its effort to improve the standards, PNGPCL has undertaken major rehabilitation projects at its major wharfs in Port Moresby and Lae. These projects include the dredging of the port in Lae to allow the entry of deeper draft vessels and the upgrading of port facilities such as improvements to pavements along the wharf.

1.3 Commission Comments

The Commission is satisfied that overall PNGPCL has met its minimum service standard requirements at all ports throughout the country. The Commission understands that in the case of stand by generators not being present at the minor wharves, clients unload and transport perishable goods away from the ships and ports such that there is no need for cold storage at the ports and thus no need for standby power.

PNGPCL outlined to the Commission plans to rehabilitate certain ports throughout the country and further improve and develop other ports as part of a major capital expenditure (Capex) program. The Capex program proposed will see significant improvements in port facilities over the next five years, resolving some of the continuing service problems encountered in PNG's ports. As part of its Capex plan, PNGPCL has noted that it has improved its financial position as a result of its profitable operation in the ports of Port Moresby and Lae and that it is anticipated that its sufficient free cash flow will enable it to advance its investment plans in the port infrastructure, hence, improving its performance standards in other declared ports.

F. POSTAL SERVICE INDUSTRY

1.0 Post PNG Limited

1.1 Service Standard Requirement

The following requirements are built into the postal services Regulatory Contract for Post PNG Limited ("Post PNG"):

1.1.1 Accessibility

- (a) *Post PNG shall use its best s to ensure that:*
 - (i) *Post Offices with a total of five or more staff are open between 8am and 4pm on each working day;*
 - (ii) *Post Offices with a total of four or less staff are open between 8am and 4pm on each working day and on exceptional cases close at 3.30pm.*
- (b) *As many Post Offices as possible shall be open on Saturday between 8.00am and 11.00am to provide customer service.*
- (c) *The holders of private letter boxes should have access to their letter boxes on a continuous 24 hour day/seven days per week basis, except where access is required to be limited at particular times due to security constraints or to the size or other limitations at the Post Office or Post Office agency where the private letter boxes are located.*
- (d) *Any variation in access to postal services or private letter boxes at particular Post office or Post Office agency locations shall be communicated to the affected local community.*

1.1.2 Letter Delivery Services

It is Post PNG's objective to deliver more than 95% of letters and postal articles within the timeframes set out under the Postal Service Regulatory Contract (Refer to Attachment 6), which have regard to the different transport modes available to Post PNG in different locations. Those deliveries shall be to a Post Office or a private letter box for collection and need not be delivered to residential addresses.

1.2 Performance

The Commission has assessed Post PNG's performance over its reporting period on the basis of surveys of the timeliness of delivery of postal articles within PNG (Table 1.5). From the performance measurement reports provided for the period to October 2006, all mails posted before noon was delivered to the same Post Office the same day. This performance exceeds the standard of 95% delivery on time. Post PNG has consistently met or bettered the performance requirements for this category. The Commission also notes that the performance for deliveries within the same town or between towns connected by two or more flights a day is reasonably satisfactory.

However, for mail delivered between towns where there is only one flight a day or a reliance on road or sea transport, the performance falls below the standard set.

Table 1.5 Post PNG Mail Delivery Performances

Delivery Service Standards	Dec-03 %	May-04 %	Jan-05 %	Oct-05 %	Apr-06 %	Oct-06 %
Same Post Office						
(a) Before noon- same day	96%	100%	96%	96%	100%	100%
(b) Afternoon - next day	100%	100%	96%	96%	100%	100%
Posted within the same town/city where a post office is located.						
(a) Before noon- same day	33%	68%	53%	40%	53%	98%
(b) Afternoon - next day	55%	58%	68%	88%	80%	90%
Post office destinations connected by two or more direct schedules flights a day						
(a) Before noon- same day	66%	100%	59%	84%	80%	93%
(b) Afternoon - next day	86%	90%	76%	77%	90%	98%
Post office destinations connected one direct schedule flight a day						
(a) Before noon- same day	67%	82%	84%	70%	65%	79%
(b) Afternoon - next day	100%	91%	68%	79%	70%	81%
Post Office destinations that have indirect flights: within 5 working days	70%	70%	54%	65%	65%	69%
Post Office destinations with no airport but have road connections and scheduled flights: within 5 working days	65%	75%	53%	45%	70%	50%
Remote Post Office destinations that include as part of the journey; infrequent flights and/or road and/or boat connections: within 10 working days	80%	66%	100%	87%	77%	35%

As depicted above, there has been an improvement in service delivery over the testing period since 2004 for some groups. However, for others, and in particular where indirect flights, road or sea transport are involved, the performance has been varied over the period. The Commission notes that the main issues impacting this delivery performance includes:

- air carrier changes in schedules where post offices are connected by two or more direct schedule flights a day;
- Post PNG delayed dispatched;
- deteriorating transport infrastructure; and
- air carriers off load or non carriage of mail.

1.3 Commission Comments

The Commission notes that the main issues impacting on Post PNG service standards performance is external factors such as the mode of transport. Difficulties enunciated include airline offload policies and non-carriage of mail as well as weather and transport

infrastructure problems including deteriorating roads. These factors impede mail deliveries to many locations in PNG, and contribute to a lessening of the postal service's ability to provide a standard of service required by users. Post PNG has entered into extensive discussions with domestic airlines in an attempt to improve the reliability of the carriage of mail. It is expected that as a result of these discussions there will be a noticeable improvement when the next survey is conducted

Definitions

Outage means any full or partial unavailability of a generating plant or a transmission or distribution network operated by PNG Power or Telikom PNG which results in a disruption to the supply of services in a Service Area.

Planned Outage means an Outage that is scheduled at least 5 days in advance for the purposes of routine maintenance by PNG Power

Required Connection Date means the date by which Telikom or PNG Power is required to have connected a Customer as set out in the respective Regulatory Contract

Required Service Restoration Date means the date by which Telikom or PNG Power is required to have rectified any fault in a service provided to a Customer as set out in the Regulatory Contract

Total Consumption, in respect of a specified period, means the total amount of electricity actually delivered by PNG Power during that period to Customers in respect of premises and public lighting installations that are located in a Service Area as calculated in accordance with a method approved, specified or deemed to be approved by the Commission

Total Energy Delivered, in respect of a Service Area for a specified period, means the amount of electricity that would normally be supplied during that period to a transmission or distribution network for delivery to premises or public lighting installations that are located in that Service Area as calculated in accordance with a method approved, specified or deemed to be approved by the Commission

Uncontrollable Outage means an Outage which is caused by an event the nature or extent of which could not reasonably have been foreseen or prevented by PNG Power or Telikom PNG.

Undelivered Energy, in respect of a Service Area for a specified period, means the amount of energy (electricity) not delivered in that Service Area for that period as a result of Outages other than Uncontrollable Outages as calculated in accordance with a method approved, specified or deemed to be approved by the Commission or whichever is applicable.

Unserviced energy ratio is the ratio of undelivered energy (Electricity) to the total energy delivered.

Attachment 1: PNG Power Unserved Energy Ratio Targets

Reliability Target (%)			
Calendar year	Service zone 1	Service zone 2	Service zone 3
2003	1.1	N/A	N/A
2004	0.8	N/A	N/A
2005	0.6	1.0	1.5
2006	0.5	1.0	1.5
2007	0.4	1.0	1.5
2008	0.3	1.0	1.5
2009	0.22	1.0	1.5
2010	0.22	1.0	1.5
2011	0.22	0.4	0.8

Attachment 2: PNG Power Service Area & Service Zones

Service Areas	Service Zone
Port Moresby	1
Goroka	1
Rabaul/Kerevat	1
Gusap	1
Ialibu	1
Kagua	1
Kainantu	1
Kundiawa	1
Kwikila	1
Lae	1
Madang	1
Mendi	1
Minj/Banz	1
Mount Hagen	1
Mumeng	1
Pangia	1
Wabag	1
Wapenamanda	1
Yonki	1
Kimbe	2
Wewak	2

Service Areas	Service Zone
Aitape	3
Alotau	3
Biialla	3
Daru	3
Finschafen	3
Kavieng	3
Kerema	3
Lorengau	3
Maprik	3
Popondetta	3
Samarai	3
Vanimo	3
Wau	3
Porgera	3

Attachment 3: PNG Power: New Connections and Required Connection Restoration Dates

Connection	Required Connection Date ³
Reactivation of service to premises where premises has not been disconnected and premises is located in Service Zones 1, 2 or 3	2 working days after the reactivation of service is requested by the relevant Customer
New low voltage ¹ connection from existing mains adjacent to the premises to be connected where premises is located in: - Service Zone 1 - Service Zones 2 or 3	5 working days after the connection is requested by the relevant Customer 7 working days after the connection is requested by the relevant Customer
New low voltage ¹ connection which requires erection of new mains (with a maximum of 3 additional poles) where relevant premises is located in: - Service Zone 1 - Service Zones 2 or 3	15 working days after the connection is requested by the relevant Customer ⁴ 20 working days after the connection is requested by the relevant Customer ⁴
New high voltage ² connection which requires new mains and pole mounted transformers where relevant premises is located in: - Service Zone 1 - Service Zones 2 or 3	50 working days after the connection is requested by the relevant Customer ⁴ 65 working days after the connection is requested by the relevant Customer ⁴
New high voltage ² connection which requires new mains and ground type substations where relevant premises is located in Service Zones 1, 2 or 3	90 working days after the connection is requested by the relevant Customer ⁴
Any other new connection	Date agreed between PNG Power and the relevant Customer

Attachment 4: Telikom: Required Connection Dates and Service Restoration Dates for fixed telecommunication network services

Required Connection Dates	
	Maximum number of working days after request by Customer by which Telikom must have made connections to its fixed telecommunications network
Manned Exchanges	
•Intact in place connection	
- All service categories	3
•With available network infrastructure and spare capacity	
- Service Category 1	5
- Service Category 2	7
- Service Category 3	10
Unmanned Exchanges	
- Service Category 1	10
- Service Category 2	14
- Service Category 3	20

Required Service Restoration Dates	
	Maximum number of working days after request by Customer by which Telkikom must have rectified fault in a service provided by its fixed telecommunications network
Manned Exchanges	
- Service Category 1	4
- Service Category 2	5
- Service Category 3	6
Unmanned Exchanges	
- Service Category 1	7
- Service Category 2	14
- Service Category 3	20

Attachment 5: PNG Waterboard and Eda Ranu Performance indicators

PNG Waterboard Service Standard Performance Indicators

PNG WATERBOARD				
Performance areas	No.	Benchmark formule	Water and Sewerage	Benchmark
Population Coverage	1	<u>Population served in PNGMB Districts</u> Total Population of PNGMB Districts	Water and Sewerage	80% and 18%
Service Reliability	2	<u>Number of Hours service provided</u> Total Number of hours for the year	Water and Sewerage	97% and 97%
	3	Availability of Pressure limit of 10 meter-head (water)	Water	95%
Quality Assurance	4	Treated water samples within minimum standards of Turbidity	Water	90%
	5	Treated Water samples within Chlorine Residual range of 0.2 to 0.5 ppm	Water	100%
Customer Complaints	6	Number of complaints per 1000 customers per month	Water and Sewerage	5
	7	Response time on major complaints	Water and Sewerage	24 hours
	8	Response time on minor complaints	Water and Sewerage	48 hours
Service Connections	9	Time taken to provide a standard new connection after paying the connection fees.	Water and Sewerage	5 and 10 working Days after payment of fees
	10	Time taken for providing a reconnection	Water	24 hours

Eda Ranu Service Standards Performance Indicators

Performance Indicator	Target
<i>Day to Day Continuity of Your Water Supply</i>	
• Unplanned interruptions per 100 km main/year	<100
• % Services restored within 5 hours	95%
• Response time to all events for 95% of customers	3hrs
<i>Adequacy and Quality of Water Supply System</i>	
• Compliance with WHO Drinking Water Guidelines	100%
• Drinking water quality complaints per 1000 ratable properties/year	<5%
• Drinking water quality incidents/year	<5
<i>Effective Transportation of Sewage Effluent</i>	
• Total sewage overflows per 100 km/year	<15
• Sewage overflows to customer property per 1000 connections/year	<5
• Odour complaints per 1000 connections/year	<10
<i>Long-Term Continuity of Water Supply Services</i>	
• Water leaks/breaks per 1000 ratable properties/year	<10
<i>Long-Term Continuity of Sewerage Services</i>	
• Service main breaks and chokes per 100 km main/year	<20

Attachment 6: Post PNG Required Mail Delivery Times

Destinations	Entry time	Time of Delivery	Example
Same Post Office	Before Noon After noon	Same Day Next Day	Boroko
Within the same town/city where a post office is located	Before Noon After Noon	Same Day Next Day	NCD, Lae etc..
Post office destination connected by two or more direct scheduled flights a day	Before Noon Before Noon	Next Day Within 2 Working days	POM to Lae Pom to Lae
Post office destination connected by one direct scheduled flight a day	Before 3pm After 3pm	Within 2 Working days Within 3 Working days	POM to Kavieng
Post Office destinations that have indirect flights		Within 5 Working days	Vanimto to Lae
Post Office Destination that have no airport but that have road connections and scheduled flights		Within 5 Working days	POM to Banz
Remote Post Office destinations that include - infrequent flights and/or -Road and/or boat connections		Within 10 Working days	Finschafen to Banz via Lae