ICCC brief

SHAPING OUR MARKET ECONOMY AND PROTECTING OUR CONSUMERS

Are your gifts safe?
Well here we are again at the end of another eventful year.

This year has been a memorable year for the Independent Consumer and Competition Commission and if I can put it this way: A year of mixed fortunes.

We’ve had some successes and a fair share of downturns in other areas and these are areas that would need our efforts to improve.

In the area of competition, the ICCC still has a long way to go in ensuring that there is sufficient competition in all sectors in PNG.

Competition is the lifeblood of any capitalist economy and the ICCC stands to advocate for this.

We do not want to see one major player dominating an industry. And recently there had been some business acquisitions that went unchecked by the Commission to determine whether the acquisition will significantly affect competition in an industry.

To let acquisition go unchecked like that can cause vertical integration of the market and one major player will emerge going back to a more monopolistic situation.

To this I would say the Commission’s efforts have been lacking in the sense that we have been reactionary rather than proactive.

On the other hand, maybe the Commission cannot do much because the ICCC Act only allows for voluntary clearance by businesses, thus there is no real obligation on their part to involve ICCC in doing market assessments before an acquisition is done.

This is not good for our people as we cannot allow bigger players to dominate the market because it can result in high prices for services and less or no choice for our consumers.

The ICCC Act is currently going through a review and with the urgency of the situation in hand, the ICCC will propose to tie down business with a more compulsory arrangement when it comes to acquisitions.

The successful prosecution of two PMV operators for overcharging customers is also one of the highlights of this year as ICCC begins a crackdown on overcharging by PMV operators above the mandated fares.

ICCC is looking forward to the challenges of 2015 and in conjunction with other appropriate agencies we will continue to ensure consumer rights are protected.

Merry Christmas and a Happy New Year

Dr Billy Manoka (PhD)
Commissioner and Chief Executive Officer
The Christmas Toy Survey was conducted again this year the third year since it was first initiated two years ago.

Officers from all regional officers in Port Moresby, Lae, Kokopo and Goroka, again were busy over the past two months visiting shops to ensure that dangerous goods, particularly toys that have been banned by the Commission, are not sold.

These goods include small high-powered magnets, novelty cigarette lighters, yo-yo water balls, certain aquatic toys and non-English labelled foodstuff.

The aim of the Christmas toy survey is to monitor and remove all dangerous goods, from the shelves and to put businesses who are not complying, on notice.

The last two Christmas Toy Surveys in 2012 and 2013 have come with considerable success and this year the ICCC is urging Consumers and business to be responsible and ensure that whatever they are selling and buying are safe and does not pose a threat to consumers, especially the most vulnerable members of our society: the children.

A media conference was called at the end of the survey to pass the message to the wider audience and at the same time garner action from the media and the public to speak out against dangerous goods.

Commissioner and CEO Dr Billy Manoka during the media conference urged business houses to comply with the laws and not sell the banned products.

He also urged the public to report shops that are selling banned items to the Commission.
Consumer Protection

ICCC produces guide for advertising and selling

With the Christmas buying period approaching and New Year’s sales around the corner the Independent Consumer and Competition Commission has produced a guide for business on advertising and selling, and will produce a series of brochures as well.

The Commission puts business on notice that their advertising should not be misleading, inaccurate or unfair and that business must stand by the quality of their products.

It urges the public to be wary and to report instances of misleading or inaccurate or unfair advertising to the Commission and inform it of the sale of shoddy goods. Contact details for the Commission are set out at the back of this publication.

The Guide for advertising and selling in Papua New Guinea is designed to bring awareness to business houses and consumers on advertising practices that are misleading, inaccurate or unfair.

ICCC Commissioner Dr Billy Manoka said: “The advertising scenario in PNG has evolved greatly and the ICCC is concerned that there may be some businesses currently engaged in illegal advertising practices, whether they know it or not.

“Whether it is online advertising or the traditional mortar and bricks store advertising, everyone’s conduct must be tested against the law and the guide emphasises that strongly.”

The Guide will be supplemented by a number of brochures and booklets on particular topics written in simple English for business to follow. Topics will include misleading or deceptive conduct, false or misleading claims, unfair advertising techniques, inaccurate health premium and credence claims, unfair pricing and sale of shoddy goods.

Dr Manoka said: “The two fundamental rules to advertising and selling are:

a. you must not engage in conduct that is likely to mislead or deceive, and

b. you must not make false claims or misleading claims or statements.

He added that businesses must also stand behind the quality of the goods they sell. This means that the goods sold must -

• correspond to their description, and

• be of merchantable quality, and

• be reasonably fit for the purpose for which they are sold.”
The Waigani District Court on Wednesday 10th December 2014, ruled in favour of the Independent Consumer and Competition Commission and found two PMV owners guilty for overcharging passengers on two urban routes in Port Moresby. If they fail to pay the fines imposed they will be imprisoned for three months.

The penalties, as per the decision by Magistrate Cosmas Bidar’s decision handed down were a fine of K300 each for the two PMV owners or a term of imprisonment if they do not pay the fines.

ICCC Commissioner Dr Billy Manoka said: “We are happy with the court ruling as ICCC wants to deal with the high incidence of overcharging by PMV operators in urban and rural routes. ICCC will continue to prosecute PMV owners who overcharge. And if PMVs continue to overcharge we will not hesitate to prosecute crew members as well.”

ICCC took the two PMV operators to court after receiving complaints from passengers of bus operators charging up to K2.00 for routes within the city limits.

“The maximum PMV fare for urban routes is 80 toea. School children must only pay 40 toea (50% of the adult fare) and PMVs must not drop off passengers without completing routes because by doing that, passengers are being overcharged. That is illegal and PMVs found doing that will be liable for prosecution” Dr Manoka said.

“Overcharging by PMVs is common and people are just accepting it. Thanks to those who complained the ICCC took action and there are more court cases to come.”

He added it is regrettable that ICCC had to take court action particularly as it had warned PMV owners against overcharging but PMV owners had ignored the ICCC.

Dr Manoka is calling on all PMV operators to charge according to the approved fares to avoid prosecution and unnecessary costs to their business.
Prices of basic goods and services

Announcing the start of the flour review

The Commission has commenced the review into the pricing arrangement for flour products in Papua New Guinea as the current arrangements which were made in 2012 are due for review in 2015.

Flour, one of the basic household commodities in PNG is one of the goods that ICCC monitors and the Commission understands the importance this commodity has for many Papua New Guineans.

ICCC will re-examine the current pricing structure of flour products particularly those produced by Goodman Fielder (PNG) and determine whether the current pricing arrangements are appropriate and if they should continue.

If the review finds that the current pricing and regulatory determinations are still appropriate then the Commission will set appropriate price directions to apply for the next regulatory period commencing 1st July 2015.

Over the current regulatory period, there have been new developments in the flour industry with new products entering the market.

The Commission will assess all issues concerning the industry including the amount of competition it currently experiences to determine whether the current regulatory regime is appropriate.

Some factors that will be considered as part of this review will include but not limited to the following:

a) The structure, size and supply chain of the flour industry in PNG which include the importation, distribution, wholesaling and retailing of flour products;

b) The degree of competition between suppliers of flour products including import competition and substitution;

c) Barriers of entry into the industry and the countervailing power of consumers;

d) The domestic transport costs of transporting flour products in and around PNG and the need to explore the existing wholesale and retail margins for flour products;

e) The current price monitoring arrangement for flour products from Niugini Tablebirds and Goodman Fielder (PNG) International Limited and its appropriateness for purposes of regulation; and

f) The current monitoring arrangement for flour and decision on appropriate form of regulation for the forthcoming regulatory period.

Apart from seeking specific information from the flour companies, the Commission would like to get comments from interested stakeholders and the general public on the issues mentioned above.
The Commission has released Papua New Guinea’s first electricity GRID Code in October which should pave the way for more independent power providers to enter the electricity industry.

The Grid Code is a set of technical rules that will govern and facilitate access by independent power producers to an incumbent entity’s (PNG Power Limited’s) power network or power line infrastructure.

The Grid Code will complement the Third Party Access (TPA) Code, which was released in January 2014.

The TPA Code mainly focuses on the economic aspect of the access arrangement between the new entrant and the incumbent entity such as PNG Power.

ICCC regulates PNG Power Ltd through a regulatory contract which was renewed in November last year.

Being the monopoly, PNG Power has over the years, fell short of delivering the required power supply needed for Papua New Guinea’s rapidly growing economy.

In 2011, the PNG Government through the Electricity Industry Policy (EIP) tasked the Commission to develop an access regime or codes that would encourage private sector participation in the electricity industry.

This was basically to encourage competition within the electricity industry in order to increase accessibility, reliability and affordability of electricity in PNG.

Following consultations with key industry stakeholders, the ICCC developed the Grid Code with the technical assistance from the World Bank.

The final Grid Code apart from complementing the TPA Code will also enable the TPA Code to be effectively administered.

This is because the Grid Code will spell out the technical rules and guidelines associated with the access arrangements between new entrants and the incumbent entity in the PNG electricity industry.
Fuel Prices

ICCC works on new petroleum pricing arrangement

The Independent Consumer and Competition Commission released the draft report on the review into the current pricing of certain refined petroleum products supplied by the oil companies in PNG.

The draft report outlines the Commission’s key findings and the draft determinations based on the submissions provided by industry participants and relevant stakeholders and the Commission’s own analysis.

The Commission’s principal determination is that prices for refined petroleum products will continue to be regulated for the forthcoming regulatory period.

The cost of retail price of fuel sales, wholesaling, road transport, coastal shipping and drum filling have been modelled and analysed by the Commission and the results indicated that:

Retail margins are currently too low and need to increase and because retail costs vary between the regions the Commission is proposing to have different rates for Port Moresby, Lae, Regions and Remote areas.

Wholesale margins in the other hand are very high and the Commission is proposing to reduce them to 22 toea per litre and then apply a negative X-factor of 1.0%.

The Commission is also proposing to change its approach to setting the wholesale margin by modelling the costs of the whole industry rather than using the costs of one wholesaler as representative of all wholesalers.

The proposed approach seeks to identify the cost of an efficient operator rather than simply identifying the costs of a single operator, as was the case previously.

The cost pass through approach is also something the Commission is looking to move away from and determine the cost allowance of each area.

The only aspect that the Commission wants to leave the margin unchanged is the drum filling.

For coastal shipping the Commission is proposing to set costs at current levels and adjust them monthly by means of coastal shipping index.
Consumer Protection

Consumers are entitled to pay with and receive 5 toea change

The ICCC put traders on notice that if they fail to give consumers the correct change they may be in breach of the Commercial Advertisement (Protection of the Public) Act and they risk prosecution by the Independent Consumer and Competition Commission (the ICCC).

ICCC Commissioner and CEO Dr Billy Manoka, said: “The ICCC is concerned that certain shops are not giving customers their 5 toea change. This amounts to overcharging as the price paid by consumers is higher than the price of goods displayed. It is also misleading in that the price paid by consumers is different to the price advertised in the shops.

Dr Manoka stressed that “Consumers should not be short-changed at the expense of businesses. The ICCC expects traders to give 5 toea change to customers where 5 toea coins are available but in their absence, 10 toea change should be given instead.

Dr Manoka said that it was also concerned that certain traders, mainly informal markets, PMV operators and some small-medium supermarkets and tucker shops are refusing to accept 5 toea from customers.

The reluctance by these traders to accept 5 toea is an inconvenience to customers as it affects their ability to purchase goods and services.

Dr. Manoka said that this practice should cease.

Manoka urged the public to report such incidents of overcharging to the nearest ICCC office or contact the Commission on its toll free number 180 3333.
Capacity building

Brian completes NRI’s basic economics training

As part of its commitment to the ongoing development of its staff the Commission has continued to seek out opportunities to develop the skills and expertise of its staff.

One such opportunity was the National Research Institute’s annual Economic Policy Analysis Course in which one of the Commission’s senior officers Brian Ivosa was enrolled.

Mr Ivosa, an electrician engineer by profession and the executive manager of the prices and productivity division, described the six-week course as very informative.

“I learnt a lot about existing policies that contribute directly or indirectly to the PNG economy. It puts your views into perspective on how we look at economic growth issues, its impact and how we address them.”

He is looking forward to applying some of the things he learnt to the work his department does and that is the monitoring of declared goods and services. He said firstly pricing mechanism and methodologies should lead to and encourage economic growth.

“Also, ICCC’s monitoring and other inquiries into declared goods and services including other services of concern must be done in an open and transparent way and must align with the PNG Medium Development Goals including the 7 Pillars of Vision 2050,” Mr Ivosa said.

Mr Ivosa was grateful to the Commissioner Dr Billy Manoka for his encouragement and the management of ICCC for the support and funding in ensuring that he was enrolled and completed the course.

Grace off to study competition law

The Commission’s Corporate Secretary Grace Misina was one of the fortunate Papua New Guineans to be selected to do a Masters Degree in Australia under the Australia Awards scholarship.

Ms Misina, who obtained a law degree from the University of Papua New Guinea has been with the Commission for three years beginning as a legal officer before assuming the role of Corporate Secretary in 2013.

She will be doing a masters in competition and consumer law at the University of Melbourne for 14 months after which she will return to resume her role at the Commission.
We welcome your feedback and suggestions for ICCC Brief. Please contact us to receive the newsletter electronically, for printed copies.

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**Regional Offices**

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