21st August 2014

Mr. Roy Mumu
Secretary
Department of Transport
PO Box 1489
PORT MORESBY
National Capital District

Dear Mr. Mumu,

SUBJECT: IPBC SEEKS AUTHORISATION FOR THE PROPOSED ACQUISITION OF PORTION OF CURTAIN BROTHERS’ MOTUKEA PORT

The Independent Consumer and Competition Commission ("ICCC") has received an application from the Independent Public Business Corporation ("IPBC") seeking authorisation to acquire a portion of Curtain Brothers’ Motukea Port ("proposed acquisition"). The application is made under Section 82 of the Independent Consumer and Competition Commission Act 2002 (ICCC Act). The ICCC is currently reviewing the application.

The proposed acquisition is to execute the Government’s decision to relocate the current Port Moresby’s Fairfax port owned by PNG Ports Corporation Limited ("PNGPCL").

Authorisation under Section 82 of the ICCC Act is a two stage process. After an authorisation application is lodged, the ICCC first considers whether it is satisfied that the acquisition will not have, and will not be likely to have, the effect of substantially lessening competition in a market, in which case it shall give a clearance. If it is not so satisfied, the ICCC then considers whether it can be satisfied that the acquisition will result, or will be likely to result, in such a benefit to the public that the acquisition should be permitted to go ahead, notwithstanding any anticompetitive effects of the acquisition. The ICCC must make its decision within 72 days from the date of registering the application.

The ICCC is considering the proposed acquisition under Section 69 of the ICCC Act. Section 69 of the ICCC Act prohibits business acquisitions that substantially lessen competition in a market, or are likely to do so. The effect of clearance or authorisation is an exemption of the proposed acquisition from Section 69 prohibition.

"Friend to Businesses, Friend to Consumers"
The ICCC invites your comments were applicable on matters listed in Attachment A.

In order to allow consideration of your response, please provide your comments by no later than 4:30 pm on Thursday 4th of September 2014.

Public copies of the IPBC application are available and can be obtained at the Office of the Commission; First Floor Garden City, Boroko by contacting Messrs Steven Sugl or Barzillai Dominic on telephone 325 2144 or respective e-mails: ssugl@iccc.gov.pg and bdominic@iccc.gov.pg.

We look forward to your prompt response and thank you in advance for your assistance.

Yours sincerely,

[Signature]
Mr. Elastus Geroro
Acting Chief Executive Officer

"Friend to Businesses, Friend to Consumers"
21st August 2014

Ms. Susana Germino – Steamships Shipping
General Manager
Steamships Trading Company Ltd
PO Box 1
PORT MORESBY
National Capital District

Dear Ms Germino,

SUBJECT: IPBC SEeks Authorisation FOR THE PROPOSED ACQUISITION OF PORTION OF CURTAIN BROTHERS’ MOTUKEA PORT

The Independent Consumer and Competition Commission ("ICCC") has received an application from the Independent Public Business Corporation ("IPBC") seeking authorisation to acquire a portion of Curtain Brothers’ Motukea Port ("proposed acquisition"). The application is made under Section 82 of the Independent Consumer and Competition Commission Act 2002 (ICCC Act). The ICCC is currently reviewing the application.

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The ICCC invites your comments were applicable on matters listed in Attachment A.

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We look forward to your prompt response and thank you in advance for your assistance.

Yours sincerely,

[Signature]

Mr. Elastus Geroro
Acting Chief Executive Officer
Attachment A

The ICCC would be interested to know your views on the following matters:

(a) What are the relevant areas of businesses in terms of port services of PNGPCL and Curtain Brothers?
(b) Based on the above response, what is the relevant market you consider appropriate for ICCC's consideration?
(c) Do you think there are any substitutes for the above services?
(d) What are the likely competitive impacts of the proposed acquisition on port and wharf operators around Port Moresby?
(e) The likely impact of the proposed acquisition on the competitiveness of all services provided at a shipping port to all users?
(f) In your view, are there other port facilities readily available in the market? Please list down names of other service providers.
(g) What would be the relevant market(s) in this proposed acquisition?
(h) Do you think the proposed acquisition will encourage or discourage new entrants into the market?
(i) In your opinion, what are the barriers to entry and how significant are they? Please consider and offer your views about (a) sunk costs; (b) scale and scope economies; (c) ability of the new port facility and other players to deter new entry or retaliate by price cutting; (d) whether such actions would discourage new entry or expansion by existing firms.
(j) Do you consider PNGPCL as a vertically integrated firm? If so in what areas of its business?
(k) Do you have countervailing power?
(l) What is the likelihood that the acquirer will be able to significantly and sustainably increase prices and profit margins? i.e. would the acquirer be able to increase its rates on port services or dampen rates in the market? Please elaborate with examples.
(m) When considering the proposed acquisition, do you think dynamic factors such as growth, innovation and product differentiation will be limited?
(n) Would the acquisition of Motukea widen the scope of PNG Port's activities? Is it likely to 'lever' off the business of Motukea to gain the ability to raise charges and expand its market share in one or more lines of business?
(o) Does the proposed acquisition have the ability to bring about overall benefits to the PNG economy? If so, please elaborate with examples.
(p) Are there any other issues that you would like the ICCC to take into consideration in its assessment of the proposed acquisition?

The ICCC will consider these broad issues and other specific pertinent matters relating to the proposed acquisition in so far as this relates to competition in the industry; and its resultant public benefits to consumers, businesses, and the economy, if any.

"Friend to Businesses, Friend to Consumers"
21st August 2014

Mr. Jamie Sharp
General Manager
Bismark Maritime
PO Box 1824
PORT MORESBY
National Capital District

Dear Mr. Sharp,

SUBJECT: IPBC SEEKS AUTHORISATION FOR THE PROPOSED ACQUISITION OF PORTION OF CURTAIN BROTHERS' MOTUKEA PORT

The Independent Consumer and Competition Commission ("ICCC") has received an application from the Independent Public Business Corporation ("IPBC") seeking authorisation to acquire a portion of Curtain Brothers' Motukea Port ("proposed acquisition"). The application is made under Section 82 of the Independent Consumer and Competition Commission Act 2002 (ICCC Act). The ICCC is currently reviewing the application.

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We look forward to your prompt response and thank you in advance for your assistance.

Yours sincerely,

[Signature]

Mr. Elastus Geroro
Acting Chief Executive Officer

“Friend to Businesses, Friend to Consumers”
Attachment A

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(b) Based on the above response, what is the relevant market you consider appropriate for ICCC's consideration?
(c) Do you think there are any substitutes for the above services?
(d) What are the likely competitive impacts of the proposed acquisition on port and wharf operators around Port Moresby;
(e) The likely impact of the proposed acquisition on the competitiveness of all services provided at a shipping port to all users;

(f) In your view, are there other port facilities readily available in the market? Please list down names of other service providers.
(g) What would be the relevant market(s) in this proposed acquisition?
(h) Do you think the proposed acquisition will encourage or discourage new entrants into the market?
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(k) Do you have countervailing power?
(l) What is the likelihood that the acquirer will be able to significantly and sustainably increase prices and profit margins? i.e. would the acquirer be able to increase its rates on port services or dampen rates in the market? Please elaborate with examples.
(m) When considering the proposed acquisition, do you think dynamic factors such as growth, innovation and product differentiation will be limited?
(n) Would the acquisition of Motukea widen the scope of PNG Port’s activities? Is it likely to ‘lever’ off the business of Motukea to gain the ability to raise charges and expand its market share in one or more lines of business?
(o) Does the proposed acquisition have the ability to bring about overall benefits to the PNG economy? If so, please elaborate with examples.

(p) Are there any other issues that you would like the ICCC to take into consideration in its assessment of the proposed acquisition?

The ICCC will consider these broad issues and other specific pertinent matters relating to the proposed acquisition in so far as this relates to competition in the industry; and its resultant public benefits to consumers, businesses, and the economy, if any.

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