MEDIA RELEASE

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ICCC releases draft of review on PMV & Taxi fares pricing arrangement

The Independent Consumer and Competition Commission (ICCC) has released the Draft Report on its review into the PMV & Taxi fares pricing arrangement.

In releasing the Draft Report, ICCC Commissioner and CEO, Dr Billy Manoka said: “The review is aimed at assessing the current level of competition in the market, the need for continued economic regulation of these services and the most appropriate form of any such regulation.”

Dr Manoka added: “The Draft Report contains the draft determinations or decisions the Commission made after considering the submissions and information from the Issues Paper and from Commission’s own analysis for the industry.

The Commission considered issues surrounding the level of competition in the PMV and taxi industry, and found that although there were a large number of PMV operators in the industry, there was limited number of operators providing services on a specific route especially in rural areas.

For places where there is large number of operators, PMV operators do not compete in terms of fares or level of service. The Commission through the initial stage of the review also noted that although there is a large customer base for any particular PMV route, their ability to exercise countervailing power is limited and barriers to entry into PMV and taxi markets are low but new entrants may have little impact on the level of competition in the markets.

In terms of taxi services, customers may exercise their countervailing powers but they may be limited to do so when there is high demand for taxi services and when services are required during night hours.
Hence, the Commission established that in general, innovation in the PMV and taxi industry is non-existent given the type of vehicle used as PMVs and the conditions of roads on which PMVs operate.

Some of the key determinations or decisions in the Draft Report, which the Commission requested all stakeholders and interested individuals to comment on and make appropriate submissions included:

- the Commission to continue regulate the PMV & taxi industry through price control form of regulation;
- the Commission will use the Consumer Price Index (CPI) and respective provincial diesel fuel prices to set PMV fares for respective provinces;
- the Commission will use the Consumer Price Index (CPI) and respective provincial petrol fuel prices to set taxi fares for respective provinces;
- the Commission will set new fares for the turn off routes which these fares are not set in the previous gazettal fares;
- the Commission will set the fares on annual basis;
- in making the annual adjustment, the Commission will also have regard to the service standards in terms of the completion of full designed routes by PMVs, continuity of services by PMV and taxi operators and general cleanliness of PMVs and taxis;
- the Commission set a period of five years for the regulatory period;
- the Commission will not set charges for cargoes transported by PMVs;
- the Commission will continue to test taxi meters to ensure that meters correctly display the approved rates set by the Commission;
- Commission propose for NCDC to run PMV services in Port Moresby, and if successful, will do the same in other major towns & cities in the country;
- Since there are many outstanding issues, most importantly PMV routes with no gazettal fares, to be resolved regarding the operation of PMVs in the country, the Commission will continue to work on addressing these issues even after the release of the Final report to ensure all these outstanding issues are addressed accordingly;
- Commission to sign Memorandum of Understanding (MoU) with other relevant agencies, to ensure that the service and safety standard enforcement in the PMV & Taxi industry are effectively done.

“To assist the Commission in making informed decisions, the Commission urges all stakeholders including commuters, PMV and taxi owners/operators, relevant
government agencies and any interested persons to make submissions on the Draft Determinations.” Dr Manoka said.

The release of the Draft Report is the final step of the Commission’s public consultation program. After gathering the submissions and comments on the draft determinations in the draft report, the Commission will compile the final report and release it in which the Commission will implement the determinations in the final report in the next regulatory period.

For further information, contact Dr Billy Manoka on 3252144 or email bmanoka@iccc.gov.pg.

Background

The Independent Consumer and Competition Commission (ICCC) is a statutory body established under the provisions of the Independent Consumer and Competition Commission Act 2002 (‘ICCC Act’). The Commission’s roles and responsibilities are primarily to promote competition and fair trading, regulate prices of declared goods and services, promote economic efficiency, and protect consumers’ interests.

As part of its role of regulation of the prices or charges for certain declared goods and services, the Commission is responsible for the regulation of PMV and taxi fares which are declared by the Minister for Treasury under the Prices Regulation Act (‘PR Act’) for regulation purposes. As part of this responsibility, the Commission undertook its first major review into the PMV and taxi industry and released the Final Report in November 2007. The Final Report contains the Commission’s Final Determinations for PMV and taxi services and these determinations expired on 31st December, 2012. Hence, the Commission is undertaking this review to decide whether it is necessary to continue to regulate PMV and taxi fares.