

No fall in mobile internet prices in PNG

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A Digicel billboard in Papua New Guinea
Photo Credit: Richard Eves

There's lots of news in the telecommunication sector in Papua New Guinea (PNG), with a looming Digicel purchase, the possible entry of a new company, Telikom PNG outages and more. But there's still no mobile internet price reduction.

We commenced our price monitoring research just after the **official launch** of the Coral Sea cable and as the final sections of the Kumul cable were being laid. Given all the pronouncements, promises and predictions made at the time, we anticipated creating graphs with downward trend lines and expected challenging analytical work. But the job has been all too simple.

We check the data prices offered through smartphone menus each Monday and each time there's no change. Since our **last update** in March 2021, and through to the end of March 2022, there has been no increase or decrease in prices. We focus on mobile internet data pricing because PNG's fixed-broadband connectivity is **lagging behind** other Pacific nations and other regions of the world. The offerings have remained consistent since the start of 2020: you can see all our **updates**.

You may be wondering if that evenness is because the market is appropriately priced. However, **PNG ranks very poorly** on affordability compared to other countries.

You might be forgiven for thinking that our research is not interesting. We can't produce graphs because they would merely show horizontal lines indicating steady costs of internet data over time. You might wish to forgive the politicians and others who predicted price drops when speaking at the time of the Coral Sea cable's launch two years ago. But such predictions are still being made. The head of the country's internet wholesaler DataCo, Paul Komboi, **predicted** a 50% retail price drop by the end of 2022 when speaking in September last year. We will continue to monitor the prices to determine whether such a prediction comes to pass.

It's worth noting though that Mr Komboi is not in a position to influence retail prices.

He heads **DataCo**, which sets wholesale internet prices, based on guidelines stipulated by the regulator **NICTA**. So even though Mr Komboi is quoted as saying that retail prices will decrease, he cannot make such a guarantee. DataCo sells internet bandwidth to mobile telecommunication companies and internet service providers at wholesale prices, and then those companies sell the internet to consumers at retail prices. The lack of movement in retail prices may be due to the lack of competition in PNG's retail mobile market, as Digicel has more than 90% market share.

In the meantime, other happenings in PNG's telecommunication sector are noteworthy.

The Australian telecommunication company Telstra is going to **purchase** Digicel's Pacific arm. That is, Digicel's operations in six Pacific countries: PNG, Fiji, Nauru, Samoa, Tonga and Vanuatu. But it will not be doing it alone. The Australian government will be providing substantial assistance. In fact, Australia will fork out most of the funds, although Telstra will end up owning all of Digicel's Pacific operations. The deal has received mixed responses: from commentary **welcoming** the decision to calls for it to be **reversed**. The Independent Consumer and Competition Commission (ICCC) in PNG has **given** the go-ahead for Telstra's purchase of Digicel's operations in PNG and clearance has also been **granted** by the regulator.

A key driver of this deal is the substantial burden of **debt** held by the parent company, Digicel Group. Despite having much market share and being profitable **in PNG** and other Pacific nations, the overall company has held a large **debt burden** and this led to its receptiveness to selling part of its operations. It is yet to be seen whether this business deal will lead to any tangible improvements in Digicel's service in PNG and other Pacific nations where it operates.

Meanwhile, the PNG parliament recently **passed** a tax – a variant of one originally included in the November budget – that will apply to companies with more than 40% market share in the banking and telecommunication sectors. The tax will apply to **BSP** and **Digicel**. BSP will be required to pay K190 million a year, with the first payment due on 30 September 2022. The impost on Digicel is a one-off K350 million, due just **one week** after the bill passed parliament. The company did not pay on time and its executives have **reportedly** flown out of the country for fear of possible prison sentences for non-compliance.

Amalgamated Telecom Holdings (ATH), a public company listed on the South Pacific Stock Exchange in Fiji, has received funding from the Asian Development Bank to set up a new mobile telephone network **in PNG**. While it was supposed to

commence offering services last year, operating as Vodafone or Digitec, it has not yet done so. The PNG offering would add to its mobile networks in American Samoa, Cook Islands, Fiji, Kiribati, Samoa and Vanuatu.

In September 2021, there were Telikom PNG outages in several parts of the country. Customers throughout PNG reported internet outages and inability to make voice calls. At the time, the telecommunication company admitted that voice calls were out for more than half a day in the capital city Port Moresby. Early this year, a main power cable was brought down by disgruntled villagers in Chimbu Province, causing power and internet outages for much of the highlands region.

Meanwhile, the merger of Telikom PNG and bmobile continues. Although earlier intended completion dates have passed, the merger is reportedly close to completion. The two companies continue to sell their products separately, although Telikom's 'Rait Kads' can now be used to add credit to bmobile devices and bmobile 'Top Kads' work on Telikom devices. The ICCC approved the merger in 2018. In addition, the government is considering the partial privatisation of Telikom PNG, announcing the possible interest of two large superannuation funds.

Although there are many happenings in the telecommunication sector in PNG, the main thing that consumers want is reliable and affordable services. For the past two years, despite assurances that internet prices would come down, smartphone users have not experienced any actual changes in mobile internet data prices. We will be interested to ascertain whether the developments discussed here – the Digicel sale, the entry of ATH and the Telikom PNG/bmobile merger – have any impact on prices.

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