



August 28 2006

Independent Consumer & Competition Commission (ICCC)
PO Box 6398
1st Floor Garden City Complex
Angau Drive
Boroko
National Capital District
Papua New Guinea

Attn: Mr Thomas Abe
Commissioner and CEO

Dear Mr Abe

**ICCC DRAFT REPORT IN THE REVIEW OF THE AVIATION INDUSTRY (DRAFT REPORT) -
SUBMISSION ON DISTRIBUTION NETWORK**

We wish to comment on certain statements made in the ICCC Draft Report regarding the airline distribution network which currently exists in PNG. Our comments below seek to further explain the distribution framework used in PNG to distribute air tickets to travel agents and consumers and to clarify certain inaccuracies in the Draft Report regarding the operation and distribution of air tickets via Galileo's global distribution system (GDS) in PNG.

- 1 Travel agents in PNG currently have access to and use the Galileo GDS to book air and non-airline travel related content in PNG. The Galileo GDS is operated by Galileo International LLC, a company incorporated in Delaware USA. Galileo is one of the most geographically diverse GDS's in the world, connecting approximately 425 airlines, 68,000 hotels, 20 car rental companies, 430 tour operators and major cruise lines to approximately 52,000 travel agency locations worldwide. Through Galileo a travel agency customer is able to obtain schedule, availability and pricing information, and purchase travel services from multiple travel suppliers. The Galileo GDS can also be used to facilitate travel agency's internal business processes such as quality control, operations and financial information management. Galileo offers its travel agency customers numerous customised options, productivity tools automation, customer support and aggregation of content at the desktop and online.
- 2 The Galileo GDS is distributed in PNG by Air Niugini. However, Air Niugini has no ownership interest in the Galileo GDS, nor does it have any ability to determine or change the GDS core host functionality. The Galileo GDS is hosted out of Galileo's data centre in Denver USA. It is not hosted by Air Niugini. Neither Air Niugini nor any other carrier has the ability to bias the Galileo host system display. That is, Air Niugini has no ability to alter how agents in PNG see flights displayed through the Galileo GDS.
- 3 Internally, Air Niugini uses the Gabriel system provided by a third party, SITA, to host its booking reservation system. Air Niugini's internal host system is completely different to the Galileo GDS used by travel agents to book tickets in PNG. As Galileo's distributor in PNG, Air Niugini is required to train Galileo agents on the use of the Galileo System. However, the skills learnt by agents in this regard are not airline specific. This training allows agents to use the Galileo system, therefore providing them with access to over 400 carriers worldwide.
- 4 It is not an accurate description of the GDS market to say that the GDS networks are typically hosted by a dominant carrier within a particularly market. Of the four major GDS's throughout the world, only one (not Galileo) remains minority owned by airlines. The other GDS's are either privately held or are owned by listed companies. Galileo, which was previously owned by Cendant Corporation, a NY listed company, has recently been acquired by Blackstone Partners, a US private equity firm.



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- 5 Whether a carrier's fares are able to be booked by travel agents through the Galileo GDS will depend on whether a carrier chooses to distribute its flights through this channel. Around the world the travel market is being consolidated and travel suppliers, travel agents and consumers are looking at alternative ways for booking travel. Despite indications in other parts of the world where the number of consumers directly booking on-line is increasing, in PNG we are actually seeing an increase in the number of travel agencies being opened. Given the current infrastructure and low level of internet penetration in PNG we believe that travel agencies will continue as the primary source of travel distribution in PNG in the near future. Accordingly, the GDS distribution channel will remain an important channel for ensuring that consumers in PNG have access to the most comprehensive travel content available.
- 6 Galileo offers a range of options to airline suppliers to allow them to distribute their content through the GDS. These options range from the very sophisticated to more basic distribution and link options. At this stage Airlines PNG has decided that their current distribution strategy does not involve GDS distribution. However, should this strategy change, Galileo would welcome the opportunity to work with Airlines PNG and to offer it the same global distribution opportunities as it offers its competitors.
- 7 It is unclear from the Draft Report what is intended regarding the suggestion of a 'one stop' distribution network. Galileo has an extensive network of travel distribution partners and travel-related content and would be welcome the opportunity to be involved in any future discussions regarding the future of travel distribution in PNG.

We would be happy to provide any additional information which might assist in the ICCC's consideration of the issues outlined in the Draft Report. Please don't hesitate to contact my colleague Hans Ebeling at Galileo by Travelport in Hong Kong on (852) 2860 0828, should you have any questions regarding this submission or travel distribution in general.

Yours sincerely

A handwritten signature in black ink, appearing to read "f/p H. Ebeling", with a long horizontal line extending to the right.

Simon Nowroz
Managing Director, Asia

/my

cc Stanley Alphonse - ICCC
Hans Ebeling - Galileo by Travelport