
21st August 2006

Mr Thomas Abe
Commissioner & CEO
Independent Consumer and Competition Commission
1st Floor Garden City
PO Box 6394, Boroko

Dear Mr Abe

Re: Submission on Draft Report on the Air Transport Industry

We thank the ICCC for giving Post PNG the opportunity to respond to the draft report on the Air Transport Industry.

Post PNG applauds the ICCC on its report and believes that the main tenants of the report are correct. Namely:

- Increased competition (leading to improved customer service and lower costs)
- Greater capacity in the infrastructure (e.g. better and more airports, more flights).
- Clarity on the Regulatory Environment

However, we feel that there are three significant gaps in the report that ought to be addressed in the Final Report. To summarise, these are the following:

1. Long term versus Short/ Medium Term;
2. Developed versus Developing Country; and
3. Holistic approach (Air, Land and Sea)

Each of these Report Gaps has been addressed in more detail in the Section A of this Submission.

In addition, the major concerns that are specific to Post PNG are detailed in Section B of the Submission. In determining the major issues we have considered Time, Quality, Cost and Inventory.

The purpose of this Submission is not to address solutions, though some may be provided, but to articulate the key issues, which we believe the Report should address in order for the Final Report to be more relevant and acceptable to all the stakeholders.

We hope this is helpful. If you have any queries on this submission please do not hesitate to call me on 300 3701.

Yours sincerely

Peter Maiden
Managing Director

Submission on Draft Report on the Air Transport Industry

Section A Report Gaps

1. Long term versus Short/ Medium Term

The Report addresses the issues facing the Air Transport Industry in PNG in the long term. And we believe that, if implemented the proposals will have a significant affect on the service deliveries both for passengers and for couriers *in the long term*.

However, we believe that the proposals will take at least 15 to 20 years to come to fruition.

Post PNG believes that given, as the report states, that *"the mobility of people, goods and information is a vital prerequisite and building block for economic development"*, focusing only on the long term means that the report is missing an important and vital opportunity in addressing the short to medium term.

a) Multi-track Approach

Accordingly, Post PNG believes that the Report's approach ought to be multi-tracked. That is, addressing the short to medium term as well the long term.

Post PNG has many issues with the Air Transport Industry today. Many of these issues, if the Commission's Report addressed them in a multi-tracked approach, could be resolved within the next couple of years instead of solely waiting for 15 to 20 years.

b) Short term Solutions

Post PNG strongly believes that the airlines have a "relaxed" attitude towards Customer Service Levels. The airlines presently hide behind blanket disclaimers on the reverse of consignment notes. That is, take "no responsibility" for negligent actions that may be performed by their employees. Post PNG has little or no recourse (refer Section B), even though Post PNG suffers financially and suffers in terms of customer trust & confidence.

Post PNG accepts that effective competition in the Air Transport Industry would improve Customer Service Levels and that it must be pursued. And for this we applaud the ICC's Draft Report. However, we believe that short term solutions must also be addressed to alleviate not only Post PNG's immediate problems with the airlines, but also other customers.

A possible short term solution may be to prevent the issuance by the airlines of "blanket disclaimers" for any liability for negligence. That would give Post PNG recourse through the courts (or otherwise) if negligence has occurred to seek compensation.

Indeed, it would then be in the interest of the airline industry to focus on customer service levels in order to avoid litigation.

In addition, Customer Service Level Agreements would become desirable for the airlines. These Agreements could also formalise compensation payments when the agreed upon service levels have not been met. This would avoid litigation.

2. Developing versus Developed Countries

Post PNG believes that the Report has to be sensitive to the fact that PNG is a developing country. "Off-the-rack" or "One Size Fits All" solutions may not be suitable for PNG.

Post PNG accepts that competition is a worthy goal and ought to be, as recognised by the Report, the ultimate objective.

However, there are many parts of PNG that have little or no existing infrastructure. Post PNG cannot envisage how the mere fact of introducing competition & commercialisation will, on its own, ensure that these parts of PNG can compete for resources.

We understand that the Report contends that Government funding and subsidies "should be the last option considered". In addition, the Report states that, "it should be the responsibility of local communities to help establish self sustaining airports in their region".

Post PNG accepts that local community participation is commendable and mandatory but we do not believe it is sufficient in itself.

a) Transitional Process

Post PNG believes that the Report ought to give far more consideration for external funding as part of a "detailed strategic airport management plan". This could form the basis of a transitional process.

Only through a transitional process would all parts of PNG be able to reach a level where competition becomes a realistic proposition. Put another way, enable all parts of PNG to be able to "stand on their own two feet" and compete effectively.

Post PNG does not believe that the Report has fully addressed transitional issues or has considered all the options for assisting all parts of PNG. For example, delivering people, goods and mail to 8,000 schools and to 3,500 health clinics many of which are in remote locations.

b) Universal Transport Network

For Post PNG to be able to provide a Universal Postal Service, there must be a Universal Transport Network. In the absence of a transitional process, we do not see how a Universal Transport Network will develop "naturally". Many of the poorer parts of PNG would, Post PNG believes, slowly wither on the vine, if they were forced to compete for resources.

The Air Transport Industry would be concentrated in the major economic centres of PNG, like Port Moresby and Lae. Provinces, like Manus and Western, would be neglected.

Indeed, Post PNG would challenge the ICCC to give examples of where in the world a "laissez-faire" approach has worked in a Developing Country for developing the Air Transport Industry.

3. Holistic approach (Air, Land and Sea)

Post PNG understands that the Terms of Reference given to the ICCC by the Government was to review the *Air Transport Industry*.

However, Post PNG believes that unless the whole transport industry (that is, air, road and sea) is considered at the same time, then the Report will fail in one of its key objectives. The objective: Increased competition in the Air Transport Industry.

To clarify, in order to achieve this objective, road and sea must be realistic alternate forms of transport for the people of PNG in urban and rural areas.

a) Competition

Post PNG believes that an effective nationwide road and sea transport network would automatically create significant competition within the Air Transport Industry. Customers would have a choice whether to fly or not to fly. This of course, does not exist in much of PNG today.

For much of the World, and especially Europe, the airline industry is forced to keep prices low as customers have readily available alternate forms of transport apart from Air.

Furthermore, even with a number of airlines competing on a particular route, there may still not be effective competition. The reason: No available capacity.

b) Capacity

Post PNG asserts that, assuming there is no improvement in the Road and Sea network, the Air Transport Industry will never have the capacity required.

Indeed, no country in the world relies on Air Transport as heavily as PNG.

Road and sea are an integral part of any solution to the transport issue.

c) National Transportation Industry

In addition, we believe that for Post PNG to provide a universal postal service to PNG then a holistic transportation policy incorporating air, road and sea, will need to be developed.

Submission on Draft Report on the Air Transport Industry

Section B Major Post PNG Issues

	Issue	Commentary	Possible Short term Solutions
Service Adequacy			
1	<p>All Care No Responsibility</p> <ul style="list-style-type: none"> • On claim compensation. • Hiding behind the blanket disclaimers. • No agreed upon Customer Service Levels. 	<p>Airlines, when negligent, are not liable.</p> <p>Negligence includes items lost, mis-handled, damaged or stolen. Includes wet mail.</p> <p>Post PNG has loss of customer confidence and trust resulting from airline negligence.</p> <p>Post PNG has financial loss burden on difference between customer claim and compensation offered by airline.</p>	<p>Airlines and Post PNG to have Customer Service Level Agreements (enforced through legislation or regulation).</p> <p>If airlines do not meet the Customer Service Levels as per the Agreement then they must compensate accordingly.</p>
2	Un-reliability of mail uplift	On-going offloads of mail.	<p>Incorporate in the Customer Service Level Agreement.</p> <p>Items offloaded, Post PNG compensated.</p>
3	No communication back to Post PNG in event of off-loading	Post PNG has loss of customer confidence and trust resulting from airline lack of communication	Incorporate in the Customer Service Level Agreement.
Airline Infrastructure			
4	Lack of Security and professional handling, including tampering, of mail at all ports	<p>Post PNG in Aug/Sept'04 experienced chaos at Jacksons and Lae with complete loss of consignments.</p> <p>Wet mail, especially on International sectors, a frequent occurrence.</p>	<p>Incorporate in the Customer Service Level Agreement.</p> <p>Airlines liable for their negligence in not ensuring adequate security.</p>
5	Dis-connectivity across airline, road and sea transport industries on Dangerous Goods training requirements, processes and protocols.	Ambiguity on whether Post PNG is meeting all applicable requirements.	CAA instructed by Government to take coordinating lead/
Universal Service			
6	Mail is not prioritised.	<p>Montreal Agreement (UPU/ IATA) states that airlines must prioritise Mail over other carriage items (part from AOG items and corpses).</p> <p>Not occurring today.</p> <p>Important as foundation of a Universal Postal Service.</p> <p>Unable to meet performance delivery obligations under Postal Regulatory Contract</p>	<p>Airlines enforced (through regulation or legislation) to prioritise Mail.</p> <p>Enable Post PNG to have recourse through courts or regulatory body if Mail is not prioritised in order to seek compensation.</p>

	Issue	Commentary	Possible Short term Solutions
7	Carrier charges not regulated for Mail.	Mail rates are regulated by ICCC but the carrier charges are not.	Mail rates to be regulated by the ICCC through similar formula as per the Post PNG Regulatory Contract.
Anti-Competitive Behaviour			
8	Preference handling of EMS items in favour of foreign couriers by Airlines	<p>Items off-loaded from aircraft in favour of foreign couriers, for example, DHL and TNT.</p> <p>Foreign carriers given air side access at airports, particularly Jacksons.</p> <p>Post PNG seeks a level playing field with the other couriers for EMS.</p> <p>Not occurring today.</p>	<p>ICCC to actively regulate and prevent (possibly through legal process) anti-competitive behaviour.</p> <p>Post PNG to have legal recourse.</p>
9	Preference handling of EMS items in favour of foreign couriers by Customs	Delay in clearance from Customs as compared with the other foreign couriers in PNG	<p>ICCC to actively regulate and prevent (possibly through legal process) anti-competitive behaviour.</p> <p>Post PNG to have legal recourse.</p>