



Civil Aviation Safety Authority

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29th November 2010

Ref: DIR 5.5

Assoc. Prof. Dr. Bill Manoka (PhD)
Commissioner and Chief Executive Officer
Independent Consumer and Competition Commission
PO Box 6394
BOROKO NCD

Dear Dr Manoka

COMMENTS ON AUTHORISATION APPLICATIONS BY AIR NIUGINI FOR ITS CODE SHARING AGREEMENT WITH QANTAS AND PHILIPPINES AIRLINES LIMITED (PAL)

I thank you for your letter dated 22 November 2010 on the above subject matter and giving us the opportunity to make submissions.

Liberalisation of the aviation market has forced our airlines to become more efficient and flexible to meet market demands. It has also allowed new entrants into the market, increased options for consumers and reduced prices.

As you would be aware, most international air traffic are regulated by bilateral agreements between countries, which designate specific carriers to operate on specific routes. However, the regulatory regime governing access to international air services remains complex and dependent on bilateral treaties between governments. It is therefore important for the Government to ensure that capacities available to foreign and PNG airlines under our bilateral agreement remains ahead of demand so that growth is not constrained.

Due to the geographical complexities that the aviation industry operates in, it will continue to evolve with new technologies and new business models and strategies to be viable. In spite of the slowdown in the industry caused by the global economic crisis, prospects for long-term growth of the industry are positive and strong.

In view of the above, CASAPNG's comments are contained in two (2) separate documents attached to this letter.

Yours sincerely


WILSON SAGATI

Acting Chief Executive Officer/Director

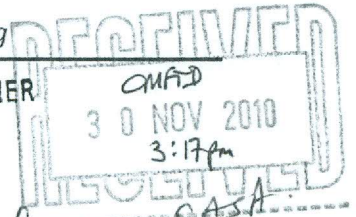
OFFICE OF THE COMMISSIONER

Date: 30/11/2010

Bob

Comments for
Pls consider.
Lorna circulate copies
to David and Winston.

W.S.
30/11/10



ATTACHMENT 2

24. Application from Air Niugini proposing a code-share arrangement with Philippines Airlines Limited (PAL)

There is no objection to this application to give effect to this code-sharing arrangement with PAL on the Port Moresby-Manila sector.

The market capacity on this sector I believe, is not sufficient enough to warrant an additional carrier using its own aircraft under its brand to operate separately and to allow for competition. Therefore this arrangement is seen as optimizing operations on this sector thus allowing for greater use of Air Niugini aircraft with more passengers, but also ensuring that each carrier sets their own prices independently, including fares and own products and yield management systems.

There exist a bilateral air service agreement between Papua New Guinea and the Philippines which support this operation and the overall opportunities for each country's designated carriers. This comment is also applicable to Air Niugini's application for code-sharing with Qantas Airways Limited.

However, the economic regulator under the Department of Transport need to consider this arrangement to strike a balance between the commercial interest of both operators in the market, taking into account the overall economic interest of PNG.

Most bilateral air service agreements have capacity entitlements well ahead of current services, meaning Papua New Guineans and foreign airlines are free to commence or increase services based on their commercial judgment. Where capacity constraints become evident, the Government is required to scheduling negotiations to seek agreement to scheduling capacity entitlements.

The effect of this code-sharing will also give PAL as a new entrant into this market and of course generate competition with Air Niugini on products marketing.

In view of the above, there is no need to protect the route to exploit the market of scheduled services between Port Moresby and Manila and that code-sharing arrangement between Air Niugini and PAL be authorised.