



Civil Aviation Safety Authority

Office of the Director/Chief Executive Officer

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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

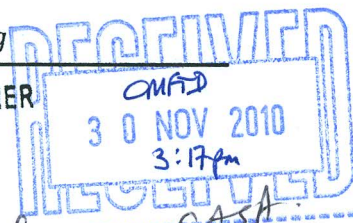
OFFICE OF THE COMMISSIONER

Date: 30/11/2010

Bob

Comments from CASA
Pls consider.
Lorna circulate copies
to David and Winston.


30/11/10



ATTACHMENT 1

23. Application from Air Niugini Limited (Air Niugini) proposing a code-sharing arrangement with Qantas Airways Limited (Qantas)

The Civil Aviation Safety Authority of PNG supports the application for new code-share arrangement whereby Qantas' subsidiary Qantas Link will be the operating carrier and Air Niugini will only market seats on the flights.

This approach is an integrated business combination sometimes including cross-equity arrangements, in which products, service standards, schedules and airport facilities are combined for higher efficient. The above is seen as a positive approach which could be seen as Air Niugini expending their service offerings into Port Moresby-Cairns (city-pair) terms so as to increase sales.

This partnership between Air Niugini and Qantas has existed prior to this application whereby the opposite to the above existed. Therefore the code-share could be seen as the two airlines building on an effective partnership between themselves from other competition and losses.

The negative aspect of this arrangement is that quite often passengers buy a ticket on a particular airline because of its safety record or because of aircraft type preference but find themselves on an airline whose safety records is less than desirable. This may have legal ramifications in the case of an accident. As far as CASA PNG is concerned, the Qantas Link has met all PNG safety requirements to operate into Port Moresby.

Given the economic situation this alliances maybe misconstrued the relatively small number of operators and participants, and as a result could drive other operators out of business – so that the remaining airlines can raise prices, while travelers/passengers are offered fewer choices.

This must be monitored closely so that code-sharing which is a relatively painless form of liberalization, does not impose any practical limitations in terms of access to capacity and pricing.

Irrespective of the above, competition between carriers on this sector already exists, with APNG operating their own services and setting fares independently. PNG "open skies" policy ensures that new entrant can enter the market with no barriers. The market on this sector has grown and will continue to grow. Competition will continue to exist irrespective of whether an operator enters into a code-share arrangement or not.

CASA therefore supports the application for code-share between Air Niugini and Qantas.