



INDEPENDENT CONSUMER & COMPETITION COMMISSION

Office of the Commissioner

PRESS RELEASE

24 August 2010

POSSIBLE MERGER IN THE AIRLINE INDUSTRY

There has been much talk in the press in the last few days about the possibility of a merger between Air Nuigini and Airlines of PNG. Some commentators, including some senior government figures, are reported as favouring such a merger, while others are not in favour of any merger between these competing airlines. It is timely to point out that if any such merger proposal were to proceed, it would first require the approval of the Independent Consumer and Competition Commission.

“The Commission is the guardian of effective competition in all industries in PNG, including in the airline industry,” said ICCC Commissioner and CEO Dr Billy Manoka. “Maintaining a healthy competitive environment ensures consumers get access to the widest range of services at the best available prices, which is to everybody’s benefit. One way of achieving that is through the prohibition, in the ICCC Act, of mergers or acquisitions which would have, or would be likely to have, the effect of substantially lessening competition in a market.” Dr Manoka said.

The prohibition of anticompetitive mergers is not absolute; if the merger or acquisition can be justified on public benefit grounds, notwithstanding its anticompetitive effects, the Commission may authorise the merger to proceed. It is up to the parties to justify the merger on those grounds, by applying to the Commission for authorisation before completing the acquisition.

The Commission, as part of its market surveillance, has been monitoring the discussion of a possible Air Nuigini/Airlines of PNG merger. The Commission has not formed any view on whether such a merger, if it proceeded, would be anticompetitive, or whether it could be justified on public benefit grounds. However, the Commission has enough knowledge of the airline industry (bearing in mind the Commission’s recent authorisations for the Air Nuigini/Qantas codeshare and Airlines of PNG/Virgin Blue codeshare arrangements) to recognise that a merger of the two main competitors in PNG’s airline market would appear to inevitably affect competition to such an extent that if the parties wished to proceed with such a merger they would need to seek clearance and/or authorisation from the Commission beforehand. The Commission has written to both Air Nuigini and Airlines of PNG, pointing this out to them.

*Authorised by Assoc Prof Dr Billy Manoka, PhD,
Commissioner and CEO*

A background paper detailing the clearance and authorisation process will be provided tomorrow.