



**INDEPENDENT CONSUMER AND
COMPETITION COMMISSION**

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Office of the Commissioner/CEO

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9 December 2010

Mr. Porvenir P. Porciuncula
Deputy Executive Director
Civil Aeronautics Board (CAB)
Department of Transport and Communications
CAB Building, Old MIA Road
Pasay City 1300
Republic of the Philippines

Dear Madam/Sir,

PHILIPPINE AIRLINES/ AIR NIUGINI CODESHARE AGREEMENT

The Independent Consumer and Competition Commission is responsible for administering the competition law, among other laws, of Papua New Guinea.

In its application for authorization, on public benefit grounds, of a proposed code-sharing agreement with Philippine Airlines, Air Niugini says:

"If the codeshare agreement with Philippine Airlines is not approved, it's unlikely the aeronautical authorities of the Philippines will approve extra services under the Air Services Agreement between PNG and the Philippines.

"Air Niugini would continue to lobby for an increase in services but would expect to encounter resistance from the Philippine aeronautical authorities. As seats become more difficult to secure, prices will rise and possibly attract the interest of more predatory airlines. Air Niugini strongly advocates a measured and managed approach to expansion of routes to enable the industry to evolve to new levels ensuring operations are sustainable." Air Niugini attached a copy of a letter dated 13 October 2010 from your organization to its application, a copy of which, in accordance with the transparency requirements of the *Independent Consumer and Competition Act 2002*, has been placed on the public register and the Commission's website.

I note that you point out to available capacity as a reason for declining to approve additional services by Air Niugini. Nevertheless, you refer to ongoing code-share negotiations between Air Niugini and Philippine Airlines as an avenue for securing approval for additional services.

I would be obliged if you would kindly describe the rules under which capacity can be increased with code-sharing and otherwise.

In particular, I would appreciate it if you would indicate whether capacity increase is contingent on a code-share with Philippine Airlines being agreed.

A copy of your response will be placed on the public register and website unless a request for confidentiality is made, although all such requests are not necessarily granted.

If you have any queries relating to the above matter, please do not hesitate to contact Mr. Bob A. Lowi - Acting Chief Markets and Trade – Competitive Markets and Fair Trade Division on email blowi@iccc.gov.pg or at the above address.

I thank you in advance for your response.

Yours sincerely,

Assoc. Prof. Billy Manoka, (PhD)
Commissioner & CEO