



## PAPUA NEW GUINEA CHAMBER OF COMMERCE AND INDUSTRY

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Mr. Thomas Abe  
The Commissioner & CEO  
Independent Consumer and Competition Commission  
P.O. Box 6394, Boroko  
PORT MORESBY

Dear Mr. Abe,

### **Issues Paper: PNG'S Air Transport Industry**

The Papua New Guinea Chamber of Commerce and Industry acknowledges the release of the issues paper on the PNG Air Transport Industry.

This is a brief response to your invitation to comment from interested parties on the scope of services listed in the issues paper.

Generally, businessmen have expressed some frustrations on the current situation. Particularly with Air Niugini operating as a monopoly where there are lengthy delays, inability to have reliable transport arrangements with frequent unannounced delays and cancellations cause havoc with business plans and schedules.

In fairness to Air Niugini political interference and the inability of the Government to properly fund the company contributes substantially to problems including the high increases in fuel and parts.

These are frustrations that keep recurring from time-to-time. The frustration arises from the knowledge that if there was competition these problems would be nowhere so severe. Our comments are expressed below under the heading format of the issues paper.

Yours sincerely,

Michael Mayberry  
PNGCCI President

**The ICCC seeks comments from the public and any interested parties on the scope of services included below:**

## FROM THE PNGCCI PERSPECTIVE

### 1. Charter services

Charter Aircraft were once the back-bone of the air industry in PNG, servicing the small airstrips for passengers, produce and cargo. The charter industry is now on the verge of collapse due to:

- The Government discontinued the Government Charter operations in the 1980's.
- Maintenance of outstation airstrips has been transferred to the Provincial Governments, and most are not able to cater for charter aircraft.
- Cost of fuel for small aircraft has increased disproportionately due to the commencement of the refinery at Napanapa and the inability to refine AVGAS. The Government seem not interested in addressing this problem
- The freight charges have increased so much that it is no longer viable to fly out much produce
- Some roads have replaced the need for airstrips in some rural areas
- In Lae the cost of operating small aircraft from Nadzab reduces the profit of the service

### 2. Flight schools and training

No Comment

### 3. Air navigational flight control services

No Comment

### 4. Airport facilities and amenities

- Major Airports should be operated by private organizations
- Each airport must be accessed as to its potential profitability – if it is not a profitable concern, then the Government should work out a subsidy arrangement

### 5. Airport services including aircraft parking and refueling services

### 6. Retail services at airports

- Airport and retail services should be linked in with the privatization of the airport, and should all be treated as potential profit making areas

### 7. Safety licensing regulation

No Comment

**The Commission invites comments and submissions from the public, stakeholders and any interested parties on the level of air services, particularly freight and passenger services, and whether there is adequate services to cater for the needs of all air sector users.**

**The Commission seeks comments from stakeholders on the current access arrangement for new entrants into the PNG international segment of the airline market.**

## **Passenger Service**

Based on the survey made by the PNGCCI, the main purpose of an individual passenger is doing business 56%, next is holiday 30%, employment 11%, and others 4%.

Mostly the passenger is travelling 2 to 16 domestic flights per year and 1 to 8 international flights per year. Heavy travellers have a record of 150-850 domestic flights per year and 12-100 international flights per year.

Passengers often encounter flight delays and cancellations due to the following reasons given by the airline:

1. aircraft unserviceability, technical faults or mechanical problems
2. late arrival of operating aircraft
3. withdrawal of an aircraft with a flight taken off another route
4. no enough planes, non availability of aircraft within PNG
5. missed connection to domestic flight due to late international flight
6. flight overbooked due to previously cancelled flights
7. insufficient light at destination airport due to delayed departure
8. cannot locate enough crew members
9. existing in service planes being force to take on extra flights

Some domestic flights delay from 40 minutes up to 6 hours and international flights from 3 to 19 hours. These flight interruptions cost thousands of kina loss of wages and productivity in the business.

An individual passenger pays a rebooking cost amount K110 due to rerouted flights and missed connection flights. The business spends roughly K10,000 – K20,000 per annum for rebooking expense.

Other individuals experience lost luggage that cost them K1,500-10,000 per annum.

Also, due to flight delays and cancellations a passenger spends roughly K300 - K2,000 for the accommodation and meal expenses which cost the whole business K15,000 - K50,000 per annum. In some circumstances, the airline pays the accommodation expenses.

Respondents commented and suggested the following as potential solution on flight interruptions:

1. Focus on the key routes and ensure the airline services are reliable and meet advertised schedules.
2. Maintain back up aircraft that can be called in from less patronised routes or charter operations to replace unexpected service disruptions.
3. Encourage smaller regional airlines to service high volume passenger routes thus providing alternative services and scheduled departure/arrival times to that provided by Air Niugini.
4. Have stand-by arrangements in place to replace frequently disrupted international flights serviced by the 767 aircraft.
5. Replace aging 767 with more modern aircraft requiring less schedule disruption for non-routine maintenance.
6. Open up international flights to other centres other than Port Moresby (e.g. Rabaul, Lae, Alotau, Madang).
7. Introduce competition and encourage airlines to provide international services to and from PNG ports.

8. Improve in flight meals, airport business centres and other facilities (i.e. lounges, phones, internet etc.)
9. Install lights on the runway in some provincial airports like Hoskins Airport so that delay flights can land in the evening.
10. Internal flights are expensive. Cost Structure should be revised. Return trip from Singapore to Switzerland is roughly K2,200 duration is 12 hours flight. From Singapore to Port Moresby is 3 hours flight the cost is roughly K4000. This discourages tourism as well as the investors and to create jobs.
11. Put extra flight during peak periods and do not reroute to Port Moresby for outward journey to the New Guinea Island as it is too expensive.
12. Lost luggage and cargo has powerful impact on customer satisfaction. The PNG airline should have a matching machine that will trace the history of all transactions from each individual luggage files or from each company cargo files that shows the date and time of changes and the identity of the agent who modified the file.

Taking into account that the result of the survey represents about 3% of the Chamber members, estimating the expense is K800,000 for 3% becomes roughly K26 million total cost to the business from flight delays and cancellations.

### **International Market**

- International Airfares to PNG are too expensive, and this adversely effects business and tourism
- Whilst Airlines of PNG offers some competition, ANG must have a major competitor, so that the airfares between International Ports and PNG become self regulating. I compare this to Vanuatu, where Pacific Blue were allowed to compete with the Air Vanuatu/Qantas shared service, and a whole range of economical fares became available immediately, as well as e-booking facilities.
- Air Niugini must be able to operate on its own merit without unfair assistance. Otherwise it is the traveling public that suffers

### **Domestic Market**

- When the airfares were de-regulated, the public suffered with huge increases. The problem is that there is no real competition, and therefore the there is no way on knowing whether the the increases are actually justified, or just covering up inefficiencies in ANG (again).
- The domestic market should be freed up to allow competition to ANG. This is the only way to make the airline efficient – if it does not then its loss will be another's gain, as well as the travelling public.

Particular businesses in touch with the Chamber of Commerce & Industry have expressed particular concerns that situation is make or break for them. One fishing company informs us that they were forced to close down in part from combination of unavailable freight space, high rises in freight rates (100% in one particular year) and cancelled flights which was making it impossible to plan their supply chain of fresh chilled tuna to Japan. They feel that had competition existed then situation would have been expected to generate immediate 25% rise in revenues and drop of over 10% in costs. Other companies have similar stories.

The voice from business is that competition must be allowed to enter. Present situation is proving counterproductive and handicapping almost every other industry reliant on air transport services.

Air transport services should not be seen as a natural monopoly but as a normal commercial service. All the classical problems of monopolies are in evidence with the current situation as there is no self-correcting mechanism should Air Niugini fall under poor management as it has at times. This is in no way any criticism of the current management.