



INDEPENDENT CONSUMER & COMPETITION COMMISSION

Office of the Commissioner

11 November 2008

PRESS STATEMENT

ICCC APPROVAL OF AIRLINES OF PAPUA NEW GUINEA LIMITED (“AIRLINES PNG”) & PACIFIC BLUE AIRLINES (AUST) PTY LIMITED (“PACIFIC BLUE”) CODE SHARE ARRANGEMENT

The Independent Consumer and Competition Commission (ICCC) announced that it has completed its assessment of the proposed Code share arrangement between Airlines PNG and Pacific Blue.

Mr. Abe said that on 10 September 2008, Airlines PNG sought authorization from the Commission to code share with Pacific Blue pursuant to section 70 of the ICCC Act

As part of its wider public consultation process under the ICCC Act, the Commission invited the general public, industry participants and key relevant government agencies to comment on the Airlines PNG application. A total of twelve submissions were received and considered by the Commission.

Mr. Abe added that, the Commission subsequently released its Draft Determination on 20 October 2008 and called for further comments. The Commission received a number of submissions including a request by Air Niugini for the Commission to call a conference pursuant to section 78 (5) of the ICCC Act.

The Commission held the Conference on 6 November 2008 required under Section 79 of the Act, to allow parties having an interest in the application to meet in person with the Commission and discuss their respective comments, amongst other relevant matters relating to the Commission’s Draft Determination of the Airlines PNG code share application.

He added that the Commission subsequently took into account all pertinent and substantive issues discussed at the Conference and thereafter issued its Final Determination.

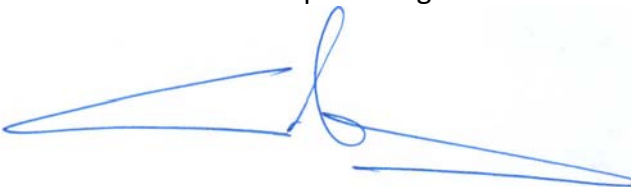
Mr. Abe stated that the outcome of the Commission Final Determination shows that;

- a. The Airlines PNG code share is pro-competitive and infact increases competition on the Brisbane-Port Moresby route;
- b. The arrangement introduces an additional carrier (Pacific Blue) onto the route;
- c. It increases passenger and freight capacity, including flight frequency and therefore consumer choice of competing carriers, in-flight service and airfares;
- d. Price (airfare) competition and service levels are expected to improve in the market;
- e. The code share allows consumers to participate in Virgin's Velocity frequent flyer program; and
- f. It enables the carriers the flexibility to connect their respective domestic flights with the code share flights to ensure that travelers are transported to the final destination on both ends of the route. This limits flight connections and baggage handling hassles;

In addition, Mr. Abe added that there would be a number of resultant positive outcomes and public benefits such as the potential to stimulate demand for discretionary travel (Holiday and tourism travelers) who are sensitive to airfares. This would enhance competition and grow the PNG tourism market.

Mr. Abe advised that the Commission is satisfied that the proposed code share arrangement between Airlines PNG and Pacific Blue will result, or is likely to result in such a benefit to the public and therefore granted a conditional authorization for a period of 3 years. As part of the authorization, the Commission imposed four (4) conditions in order to reduce any potential anti-competitive effects which may arise from the code share arrangement, in order to maximize public benefits and aid transparency.

The processes used by the ICCC when applying the test are open, transparent and consultative. Mr. Abe said that the details of the Commission's assessment and reasoning can be found on its website, www.iccc.gov.pg. The Commission also maintains a public register of all its decisions.



.....
THOMAS ABE
Commissioner & CEO