ICCC PROPOSES TO ALLOW CONTINUATION OF ARRANGEMENT BETWEEN AIRLINES OF PNG AND VIRGIN FOR FLIGHTS BETWEEN AUSTRALIA AND PNG

The ICCC Commissioner and CEO, Assoc. Prof. Billy Manoka, announced today that the Commission proposes to allow a code-sharing agreement between Airlines PNG and Virgin Australia for the Port Moresby/Brisbane route.

Code-sharing involves airlines buying seats either on each other’s aircraft; or one buying capacity on the aircraft of another, without operating its own. In this code-share, Airlines of PNG is buying seats on the flights operated by Virgin Australia.

Dr Manoka said: “Effective airline competition means low air fares and efficient services, which encourage growth of tourism, a ‘grass roots’ sector, creating income-earning opportunities for poor, rural and urban people in the provision of services such as taxis; handicrafts; adventure and eco-tourism services; and hospitality; all labour-intensive and providing ‘direct cash-flow’ to areas most in need. Costs to business, Government and private travelers have also been reduced and kept low by previous Commission decisions in this sector and this will continue that pressure, thus benefiting everyone.”

Dr Manoka added: “The Commission has provisionally assessed the arrangement as enhancing, rather than lessening, competition. The arrangement will provide cost savings to assist the parties compete with Air Niugini/Qantas, the much larger incumbents on that route”.

Airlines PNG sought authorisation from the ICCC. Authorization is a process that allows for exemption from the law if there is resulting benefit to the community. Airlines of PNG claimed the arrangement would improve its financial viability and assist it compete well in the domestic market as well as on the international route, a claim accepted by the Commission.

The Commission is now in the final stages of making a decision on the application and has issued a draft decision.

The airline submitted its application in November 2012 in a bid to continue providing competition to Air Niugini and Qantas, which have entered into a similar arrangement, previously authorized by the Commission, albeit with conditions relating to minimum and maximum code-share seats on flights.
The Commission did not consider it appropriate to impose similar conditions on this code-share, because no losses by a government enterprise, with associated public cost, are involved in this case, as it was in the Air Niugini case.

Following the draft decision, an interested party or the Commission may call a conference. Submissions may be made to the Commission on the draft decision and a final determination will be made following a conference, if one is held, taking account of submissions.

Dr Manoka went on to say “I encourage interested parties and any member of the public to make submissions on or before March 22. The process is both transparent and consultative, like most processes of the Commission, and it values input from all sections of society in making its decisions.”

Contact point for further information: Elastus Geroro; General Manager; phone: 325 2144 facsimile: 325 3980 e-mail: egeroro@iccc.gov.pg

Background

The Independent Consumer and Competition Commission (‘ICCC’) is responsible for administering the Independent Consumer and Competition Commission Act as well as a variety of other legislation. The law is designed to enhance the welfare of the people of PNG by encouraging competition, fair trading and efficiency in business as well as punishing anti-competitive behaviour.

The ICCC has specific powers to grant immunity to certain conduct that may be anti-competitive, by authorization and clearance. In terms of authorization, parties must lodge an application with the ICCC for the proposed conduct. That must be supported by a submission setting out why the conduct results in a benefit to the community which outweighs any detriment.

The ICCC tests the application by calling for submissions from persons with an interest. Following consideration of the submissions, the ICCC issues a draft decision to the applicant and all interested parties. Parties may call a conference with the ICCC. After that a final decision is made.