The Independent Consumer and Competition Commission (the “Commission”) has issued a discussion paper in relation to the application by Air Niugini for authorization to enter into and give effect to a freight code-share arrangement with Qantas Airways Limited on the Port Moresby-Brisbane route on flights operated by Air Niugini using its B767 wide body aircraft.

The Commission released a draft determination on the August 28, 2013, proposing to grant authorization. Just after the release of the draft, the Commission became aware that Qantas had entered the Australia-PNG freight market as a carrier with a dedicated freighter service, after it secured capacity rights from the International Air Services Commission of Australia; then subsequently suspended its service “indefinitely” in mid-October 2013.

ICCC Commissioner and CEO, Dr Billy Manoka, said: “The paper discusses the efficiency and public benefits arising from rationalisation of the code-share in the context of the potential independent Qantas operations. The Commission considers that the code-share operating in conjunction with any separate Qantas freight operation could change incentives for competition and affect rationalisation savings and, consequently, the balance of anti-competitive effect and public benefit.”

The Commission considers that the independent entry of Qantas into the freight market, despite its indefinite suspension, is a significant development and should be taken into account in determining the authorisation application. Therefore the Commission has issued this discussion paper which discusses certain aspects of the arrangements, particularly should Qantas re-enter the freight market for relevant stakeholders’ comments.

Essentially, the paper discusses competition issues such as the level of concentration in the freight market with and without the independent entry of Qantas as a dedicated freighter as well as focusing on market dynamics which could change incentives for competition substantially should Qantas decide to re-enter the market.
The discussion paper provides data that indicates that the combined market share of Air Niugini (including Qantas’ participation in the code-share) was about 73.5% before Qantas entered the market independently. After the independent entry of Qantas the Air Niugini share decreased to about 62.5% as a carrier. Combing both carriers’ share of the market equated to 75%. Data compiled by the Commission also indicates that the top three players in the market, Air Niugini, Qantas and Pacific Air Express hold 99.4% of the market, an indication of a highly concentrated market.

The Commission would appreciate it if all interested parties could provide their views or comments on or before the January 24, 2014 to enable the Commission to finalise the determination.

Authorised by

Dr BILLY MANOKA
COMMISSIONER & CHIEF EXECUTIVE OFFICER

Backgrounder

The Commission is Papua New Guinea’s economic regulator and consumer watchdog. It was established by the Independent Consumer and Competition Commission Act 2002 (the ICCC Act). Among its enabled powers, the Commission can grant authorization to parties to enter into and give effect to business agreements that would normally be deemed anti-competitive under the ICCC Act.

Authorisation is a transparent process under the ICCC Act where the Commission may grant immunity from legal action from conduct that might otherwise breach the ICCC Act. The Commission may authorise the parties to engage in anti-competitive conduct if it is satisfied that the public benefits resulting from engaging in the conduct would, or would be likely to, outweigh the public detriment (including the anti-competitive effects).
In reviewing an application, the Commission conducts public consultation by inviting views from interested parties to make their submissions outlining the reasons whether or not they support the application. That process is followed by the issue of a draft determination and, under the provisions of the ICCC Act, if requested by an interested party, or if the Commission decides of its own volition to call one, a conference is held prior to a determination being made. After the conference, if any, the Commission takes into consideration any submissions made and makes a determination.