

31 October 2016

Ms Marlene Tucker
Executive Director
International Air Services Commission
GPO Box 630
CANBERRA ACT 2601

Dear Ms Tucker

The Australia Papua New Guinea Business Council has been observing with interest and concern recent developments in relation to air services between Australia and Papua New Guinea.

The Council is a not-for-profit association of Australian businesses with interests in the bilateral business relationship between Australia and Papua New Guinea.

It promotes bilateral trade and investment and economic growth in Papua New Guinea, and undertakes advocacy on issues germane to business.

We have read with deep concern the Commission's draft decision on Qantas' application to vary the air traffic arrangements between Australia and Papua New Guinea.

In particular we are concerned that, according to Para 8.8 in the draft decision, the Commission "proposes to approve the free sale code share arrangement for a trial period on the Brisbane and Sydney sectors. This will allow the Commission to thoroughly assess the competitive impact of the code share on the city pair sectors that are of most concern to Virgin Australia, before deciding whether to approve the code share for a longer period and to broaden the approval to include the Port Moresby-Cairns sector."

Our reading of this is that it is the intention of the Commission to disallow for an indefinite period Qantas' application to codeshare with Air Niugini on the Cairns-Port Moresby city pair.

Should the Commission confirm this decision it will leave Air Niugini as the monopoly operator on that route.

This outcome would, in our view, be anticompetitive and would be deleterious to Australian business interests generally, but also to the considerable group of business houses in Cairns who work across the border into Papua New Guinea.

It is our understanding that one of the tenets of the Commission's work is in ensuring competition on routes.



The draft decision certainly does not do that in relation to the Cairns-Port Moresby city pair.

Cairns is an important gateway for Australian business to and from Papua New Guinea.

Many Australian business people find the scheduling of services between Cairns and Papua New Guinea (early morning and late afternoon) to be more time efficient than services operated between Brisbane and Port Moresby.

Use of Cairns as a gateway for them between Australia and Papua New Guinea will become less attractive if Air Niugini holds a monopoly on the sector.

Without competition on the route fares can be expected inevitably to rise.

What maintains some price competitiveness on routes between Australia and Papua New Guinea is the competition provided to Air Niugini by Australian operators.

The Council urges the Commission, if it is disposed to approve one part of the Qantas application, to approve the whole package.

To take the course of action proposed in the Commission's draft decision will create a situation which is neither one thing nor the other, and the result will not be helpful to Australian business travellers between Australian and Papua New Guinea.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Greg Pawson', with a vertical line extending upwards from the start of the signature.

(Greg Pawson)
President