


1. (a) **Name of Applicant:** Air Niugini Limited
- (b) Address in PNG for service of documents:
4th Floor
Air Niugini Haus
Jacksons Parade
Jacksons Airport
Port Moresby
- (c) **Brief description of business carried on by applicant:**
Air Niugini Limited (Air Niugini) is the National Airline of Papua New Guinea and undertakes regular scheduled passenger and freight transportation throughout Papua New Guinea and to overseas destinations.
2. (a) **Brief Description of agreement or practice and, where already made, its date:**
Air Niugini is seeking a renewal of authorization of its existing Codeshare agreement with Solomon Airlines (SolAir) regarding air services between Port Moresby (Papua New Guinea) and Honiara (Solomon Islands) subject to required Government and Regulatory approvals.
Pursuant to the terms of the current agreement, the code share is operated by Air Niugini as the operating carrier and the Solomon Airlines as the marketing carrier.
Air Niugini will continue to operate at least four (4) services to Honiara weekly departing Port Moresby on Mondays, Tuesdays, Thursdays and Saturdays as the operating carrier whilst Solomon Airlines will be the marketing carrier. The Codeshare Agreement will cover the carriage of passengers and their corresponding baggage allowance only, whilst the operating carrier shall retain any cargo and excess baggage revenue uplifted on their respective aircraft.
- (b) **Names and addresses of other parties to the proposed agreement or practice:**
Solomon Airlines
Honiara
Solomon Islands
3. (a) **Grounds for grant of authorization:**
Please refer to the submission here provided by Air Niugini.
4. If you require confidentiality for any material provided as part of the application please specify;
Air Niugini has provided two copies of this submission. One copy is the Confidential Version with sections and or headers in RED font illustrating information provided to be considered commercially confidential. It would be appreciated if this information not made available generally. The second copy marked Non Confidential Version has the sections in RED font areas deleted and replaced with 'CONFIDENTIAL INFORMATION DELETED'.

Dated this

11TH day of APRIL .

2025.


 Applicant

David Glover- Chief Commercial Officer

CONTENTS**Part A**

Introduction

1. Application for Authorization
2. Description of The Parties
 - 2.1. Air Niugini Limited
 - 2.2. SolAir
3. Rationale for Codeshare Agreement
 - 3.1. General
 - 3.2. Honiara Passenger Market
4. Summary of the Codeshare Agreement

Part B

The Future with and without the Codeshare Agreement

5. Relevant Markets
6. Competition in Air Passenger Market – With Codeshare
7. Competition in Air Passenger Market – Without Codeshare

Part C

Public Benefits

PART A**INTRODUCTION****1. APPLICATION FOR AUTHORISATION**

This submission is made by Air Niugini Limited (Air Niugini) in support of an application for authorization pursuant to section 70 of the Independent Consumer and Competition Commission Act 2002 (ICCC Act) to give effect to a codeshare agreement (Codeshare Agreement) with Solomon Airlines (SolAir), for a period of 3 years from 28 February 2025 to 1 March 2028.

The air services under this Codeshare Agreement will be operated by Air Niugini (the operating carrier) and SolAir as the marketing carrier. Both carriers have access to the whole inventory (B737, F70/F100 Aircraft) and can sell on a free sale basis except on mid-week services. It is proposed that the mid-week services will have an agreed hard block seat allocation giving SolAir an incentive to market those seats in competition with Air Niugini.

Air Niugini requests that the ICCC raises any issues or questions it may have in relation to the Codeshare Agreement or this submission with Air Niugini Chief Commercial Officer Mr. David Glover and Alliances Officer, Ms. Rosemary Aopoi.

2. DESCRIPTION OF THE PARTIES**2.1 Air Niugini**

Air Niugini was incorporated and began operating in 1973 as the national airline of Papua New Guinea. The company was originally owned by the Papua New Guinea Government (60%), Ansett (16%), Qantas (12%), and Trans Australia Airlines (TAA) (12%). In 1976 the Papua New Guinea government bought out the Qantas and TAA holdings and in 1980

also acquired the Ansett shares to make the airline wholly government owned. Air Niugini is 100% owned by Kumul Consolidated Holdings of Papua New Guinea and is one of Papua New Guinea's largest and most respected companies. Air Niugini employs approximately 2,000 people worldwide and is Papua New Guinea's largest airline.

Air Niugini's main business is the transportation of passengers and air freight domestically and internationally. In addition to the core business of transporting passengers and air freight, Air Niugini maintains 22 retail sales offices throughout Papua New Guinea, operates its own maintenance facilities, provides in-flight catering for its own operations, operates a tours division packaging holidays for its customers and travel agent's customers around Papua New Guinea, and maintains offices in Brisbane, Cairns, Sydney, Honiara and Manila.

The overseas offices not only sell tickets to the traveling public, but they also service the needs of the Papua New Guineans who travel overseas and (in many ways) act as de facto Papua New Guinean tourism offices. Additionally, Air Niugini has appointed General Sales Agents who represent Air Niugini and Papua New Guinea's interests in the UK, Italy, Malaysia, Indonesia, Hong Kong, China, Taiwan, the USA, Fiji, Solomon Islands, New Zealand, Singapore, Japan, South Korea, India and Philippines. Air Niugini provides its own ground handling throughout PNG. Further, it also maintains an engineering facility covering up to "C" check level maintenance services for Fokker 100 and Dash 8 Aircraft types and provides line check services for the Boeing 767 (B767), Boeing 737 (B737) and Falcon Jet aircraft. To carry out these functions the airline employs approximately 2,000 employees. Air Niugini, along with its wholly owned subsidiary, Link PNG Limited, operates domestic services between Port Moresby and 22 Ports throughout Papua New Guinea.

In addition to domestic air services, Air Niugini operates international services between Port Moresby and 9 Ports around the region as follows:-

- Sydney, Brisbane, and Cairns International Airports, Australia;
- Changi International Airport, Singapore;
- Hong Kong International Airport, Hong Kong;
- Honiara Henderson International Airport, Solomon Islands;
- Nadi International Airport, Fiji;
- Ninoy Aquino International Airport, Manila, Philippines;
- Port Vila, Vanuatu;

Air Niugini's international fleet consists of 13 aircraft: 2x B767, 3x B737, 5x Fokker F100, 2x Fokker F70 jets and 1x Falcon jet.

2.2 Solomon Airlines (SolAir)

SolAir is the national airline of the Solomon Islands based in Honiara. It was established in 1962 and it has strong ties with Papua New Guinea since that time through MacAir and TelAir both of whom had their roots in Papua New Guinea.

The government of Solomon Islands has been the sole shareholder since 1984 and at one stage it was in joint venture with the Qantas Group from Australia. Its fleet comprises one Airbus A320, 3x Britten - Norman Islanders and 3x Twin Otters. SolAir has existing Codeshare Agreements with Fiji Airways on the Honiara - Port Vila - Nandi route and operates regular return services from Honiara to Brisbane and Honiara to Nadi (own aircraft and codeshare) and to Port Vila, Vanuatu (codeshare only).

3. **RATIONALE FOR CODESHARE AGREEMENT**

3.1 General

In the modern aviation industry code sharing agreements are common, with recognized potential for delivering consumer benefits including choice of ticketing carrier, choice of

schedules, choice of frequent flyer programs, choice of fares, expanded availability of through connections, and in the long term, affordable airfares to the travelling public.

Code sharing allows airlines to offer their customers a wider range of travel options which can extend beyond their own network and route structure. Whilst Air Niugini is a well recognized airline brand in Papua New Guinea, it is less well known in overseas markets especially in countries or regions such as the Americas, Europe, Indian subcontinent and elsewhere. By partnering with another airline under a code share arrangement the partner airline (or marketing carrier) is able to sell seats on the flights of the operating carrier using its global distribution systems and higher brand awareness in those markets.

Papua New Guinea now has a modern international airport at Port Moresby and Air Niugini has a strategy to promote Port Moresby and in particular Jacksons Airport to become a significant hub for international business and regular travelers from Asia, through to the Pacific, Honiara and beyond. Air Niugini notes that these routes are permissible pursuant to Air Niugini's commercial aviation rights and in particular the sixth freedom which is "*the right to carry passengers or cargo from a second country to a third country by stopping in one's own country*".¹

Air Niugini currently operates a B737/Fokker 70/100 Aircraft on the Port Moresby to Honiara route four times per week on Mondays, Tuesdays, Thursdays and Saturdays and passenger numbers have increased on this route from 2012 when the service commenced (See Table 1). Air Niugini also carries a significant quantity of freight on the Port Moresby to Honiara route (See Table 2). The introduction of additional codeshare flights between Honiara and Port Moresby has proven to promote trade by facilitating ease of travel for business travellers. Without these services, these business travellers would have to take more expensive travel and time consuming routes via Australia. The increased flights, midweek, is being operated by narrow bodied aircraft i.e. B737, F70 or F100 aircraft.

Before the Covid-19 pandemic, global passenger numbers carried on scheduled services alone in 2019 was around 4.5 billion² with the Asia Pacific Region making up most of this at 34.7 %.

Between 2020 and 2022, the passenger numbers plummeted to an all time low from 50% in the first year of the pandemic to 90% in the following year refer to Table 1. Cargo was greatly affected when all countries closed their borders (See Table 2), the best part of the airline's revenue source.

SolAir, like all smaller pacific island airlines scaled down and eventually stopped flights at height of the pandemic. This affected businesses and mostly the livelihoods of the people. Eventually, towards the end of the pandemic in 2022, the borders began to open up all over the world and the Solomon Islands government permitted Air Niugini to resume its services into Honiara in October 2022. This started with 2 flights operated by a Fokker 70.

SolAir has utilized its resources in selling its block allocation by through promoting the advantages of utilizing Port Moresby as a hub for connections to Asia and in particular those destinations that Air Niugini Limited services with its B767 wide-body aircraft to Hong Kong and Singapore as well as its B737 services to Manila. These passengers also travel the return route from these Asian destinations to Port Moresby to link up with the Honiara service. The increased services also led to carriage of increased freight to and from the Asian destinations.

3.2 Honiara Passenger Market

In 2014 Air Niugini carried CONFIDENTIAL INFORMATION DELETED passengers to Honiara and on the return flight carried CONFIDENTIAL INFORMATION DELETED passengers which is on the average over CONFIDENTIAL INFORMATION DELETED passenger per week. (Table

¹ Vallero, Luigi (August 2004) "The Freedom of the Fifth Freedom Flights" which in effect allows Air Niugini better return on investment for its wide-bodied B767 operations to Asia and also the operation of its narrow-body 737 to Asia.

² The World of Air Transport 2019, ICAO Annual Report 2019.

1). The same flight continues on to Nadi, Fiji, from which it returns to Port Moresby via Honiara. As SolAir codeshares on the Honiara – Nadi route, it is in competition with respect to pricing on the Honiara to Port Moresby route if the Codeshare Agreement is approved.

These are of course currently small markets in terms of passenger and freight (See Table 2) but with the current development of the international airport in Port Moresby, Air Niugini hopes to promote Port Moresby and in particular Jacksons Airport as the hub for international business travelers from Fiji and the Solomon Islands to Air Niugini's Asian destinations.

4. SUMMARY OF THE CODESHARE AGREEMENT

- (a) Air Niugini currently operates four services to Honiara from Port Moresby on Monday, Tuesday, Thursday and Saturday i.e. "PX84 & PX 82" utilizing its B737 aircraft. As the services gradually increased after Covid, in 2023, the use of F70/100 was required. On the remaining services, both carriers were able to access the whole inventory and sold on a free sale basis. It is proposed that services will continue gradually based on demand.
- (b) Seats allocated to SolAir i.e. hard block allocation, must be paid for by SolAir whether it sells them to passengers or not. SolAir will therefore have a strong incentive to market these seats in competition with Air Niugini.
- (c) Air Niugini and SolAir will sell market fares on the code share services independently and through their own sales network in full competition with each other. Each carrier has complete freedom in relation to the fare classes it offers, the rules it sets for each class and the price it charges for the fares. Details of the codeshare services and the hard block passenger and freight allocations proposed under the codeshare agreement are set out in Annexure A.

PART B

COMPETITIVE ANALYSIS

5. RELEVANT MARKETS

Air Niugini submits that the relevant immediate passenger market affected by the Codeshare Agreement is the market for passenger air services between Papua New Guinea and the Solomon Islands (POM-SI Market).

The relevant freight market affected are:

- (a) The market for the provision of air freight services between Papua New Guinea and Solomon Islands; and
- (b) Air freight services between Papua New Guinea and, in particular, destinations services by Air Niugini's B767 Aircraft.

As, at this stage it is not envisaged that SolAir will utilize its A320 aircraft on the codeshare route, there will be no effect on competition in markets other than the passenger and freight markets for example on engineering and maintenance services.

6. COMPETITION IN AIR PASSENGER MARKET – WITH CODESHARE

As no codeshare currently exists on the Port Moresby – Honiara route, Air Niugini can only provide estimates based on current passenger and freight movement for this sector. Table 3 is Air Niugini's projections for passenger numbers and freight to 2024 and Table 4 represents Air Niugini's projections for the revenue derived from passenger and freight carried in 2024.

Air Niugini anticipates that there will be a gradual increase in passenger numbers, freight carried and therefore revenue during the term of the Codeshare Agreement based on the combined marketing of the two airlines involved.

The structure of the Codeshare Agreement will result in competition for sales on this services between Air Niugini and SolAir.

With the expected arrival of the A220 aircrafts to Air Niugini's fleet and the likelihood that the A220 will replace its existing Fokker fleet during the period of the proposed codeshare, Air Niugini has the ability to react to the demand on this sector by using either of the three aircraft which can all service the route efficiently and effectively.

There are no other competitors on the Port Moresby to Honiara route that would be affected by the proposed Codeshare Agreement and Air Niugini does not anticipate that there will be any other competitor on this route in the foreseeable future despite, of course, the ability of potential customer to charter their own aircraft and the relatively low barriers to entry, for example although Virgin or Qantas, in particular, could enter this market as this is considered to be highly unlikely.

7. COMPETITION IN AIR PASSENGER MARKET – WITHOUT CODESHARE

Tables 1 and 2 show that revenue from both passenger services and freight have either remained the same or declined since 2012 without codeshare.

Air Niugini has projected that with codeshare revenue from both passenger services and freight will increase on both Port Moresby to Honiara and Honiara to Port Moresby sectors over the term of the Codeshare Agreement. This was evident from 2017 onwards.

PART C

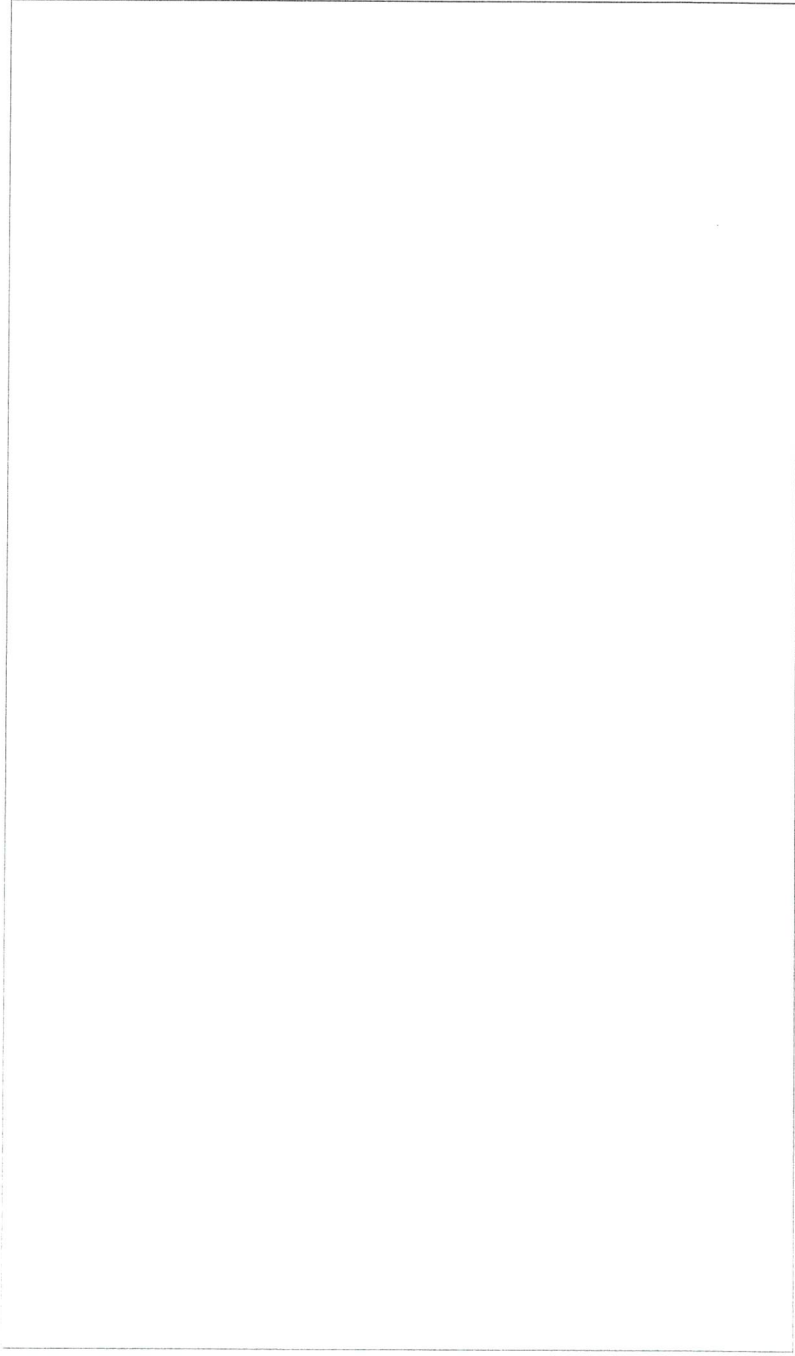
PUBLIC BENEFITS

The Codeshare Agreement will provide a wide range of public benefits including:-

- (a) a provision of cheaper, more frequent passenger and air freight services between Papua New Guinea and Solomon Islands.
- (b) the provision for industry participants in Papua New Guinea to take advantage of the existing trade agreements between Papua New Guinea and other pacific countries, in particular the Pacific Islands Countries Trade Agreement ("PICTA") and the Melanesian Spearhead Group Trade Agreement ("MSGTA").
- (c) Greater utilization of Papua New Guinea's existing resources including Jacksons International Terminal enhancing business cooperation and opportunities for Papua New Guinea investors in the Solomon Islands and Fiji were PNG companies have already heavily invested for example MRDC in Fiji and Constantinou Group in Solomon Islands, Credit Corporation in Fiji and the Bank of South Pacific throughout the Pacific region by offering more competitive airfares and an alternative and regular service from Nadi to Honiara to Port Moresby rather than via Brisbane.
- (d) Increased opportunities for Air Niugini to improve its return on investment with respect to, in particular, its B767 and B737 aircraft through freight from Fiji, Solomon Islands through Port Moresby to its Asian destinations and from its Asian destinations to Solomon Islands and Fiji.
- (e) A more versatile National Flag carrier for Papua New Guinea.

TABLE 1
Passengers

	FLOWN PASSENGERS (CONFIDENTIAL INFORMATION DELETED)												
SECTOR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
POMHIR													
HIRPOM													



	PASSENGER REVENUE - CONFIDENTIAL INFORMATION DELETED												
SECTOR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
POMHIR													
HIRPOM													

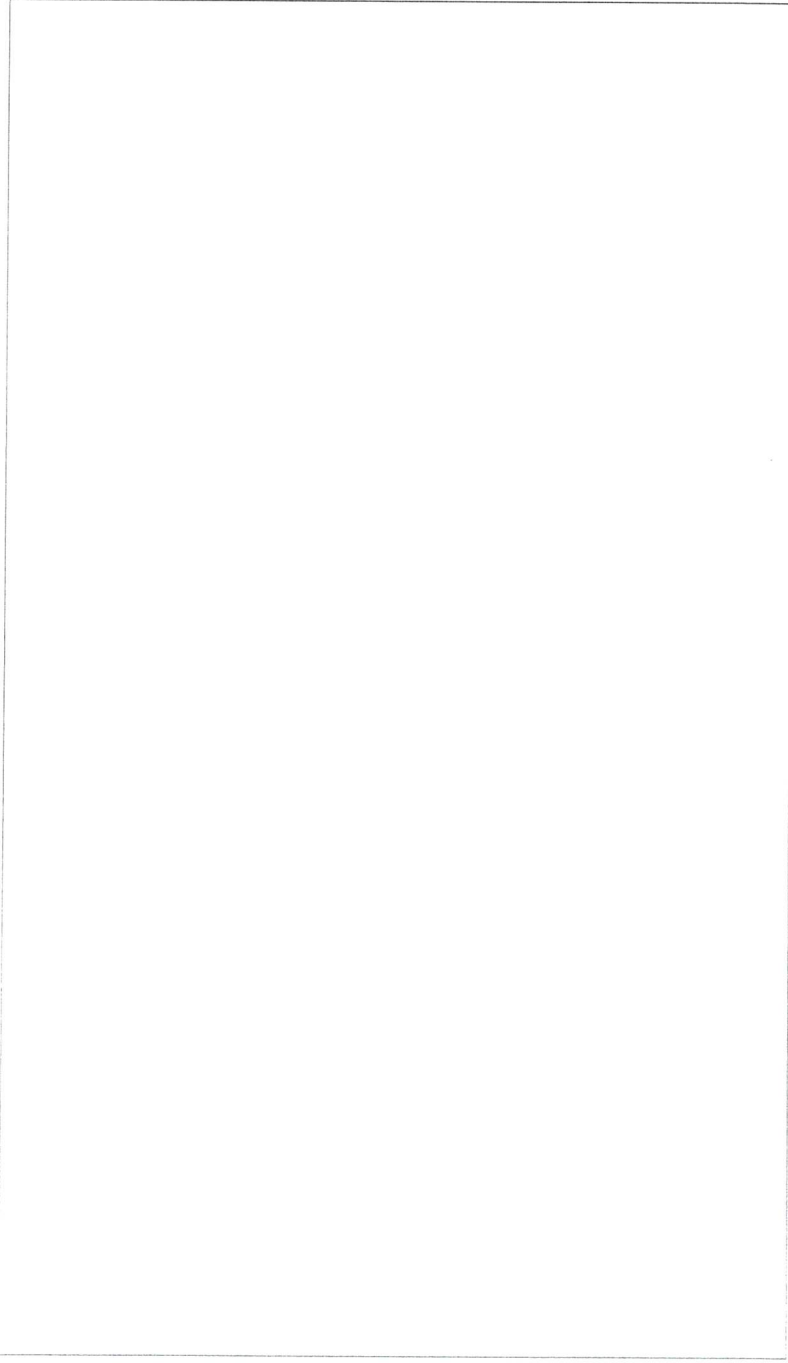
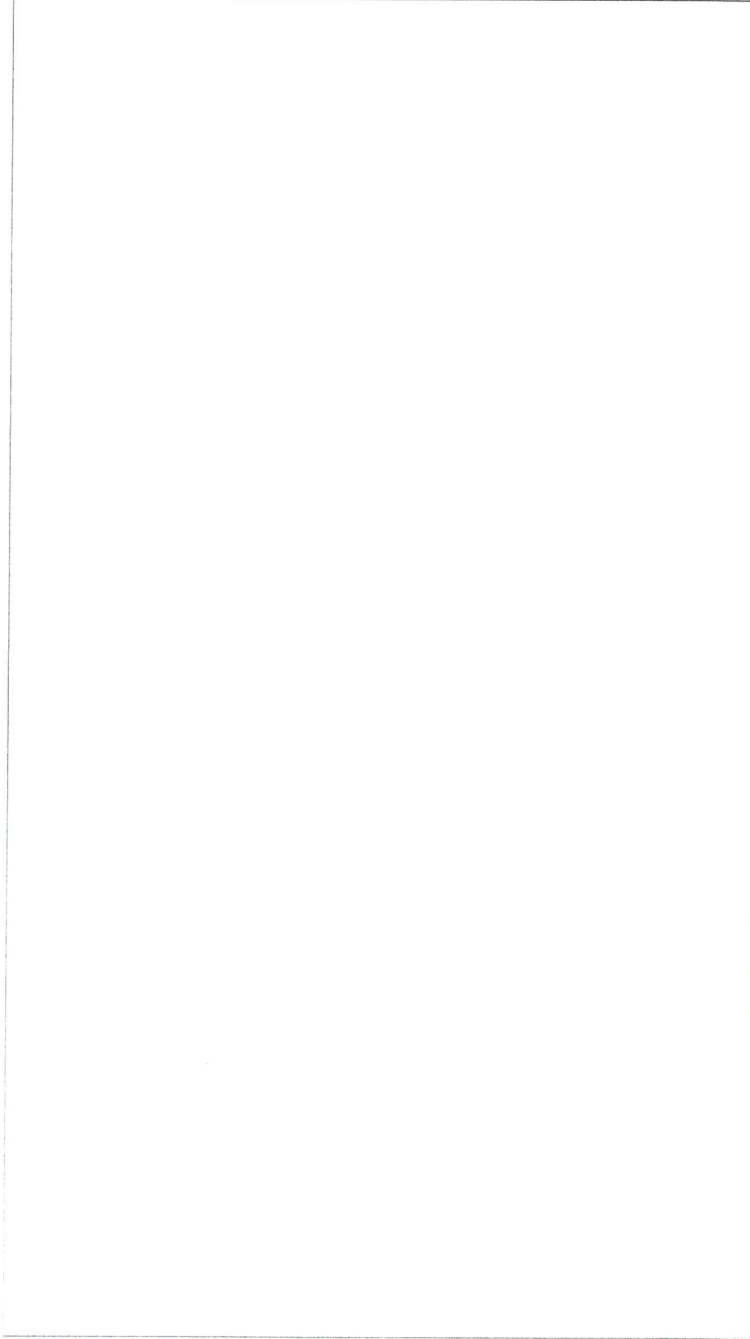
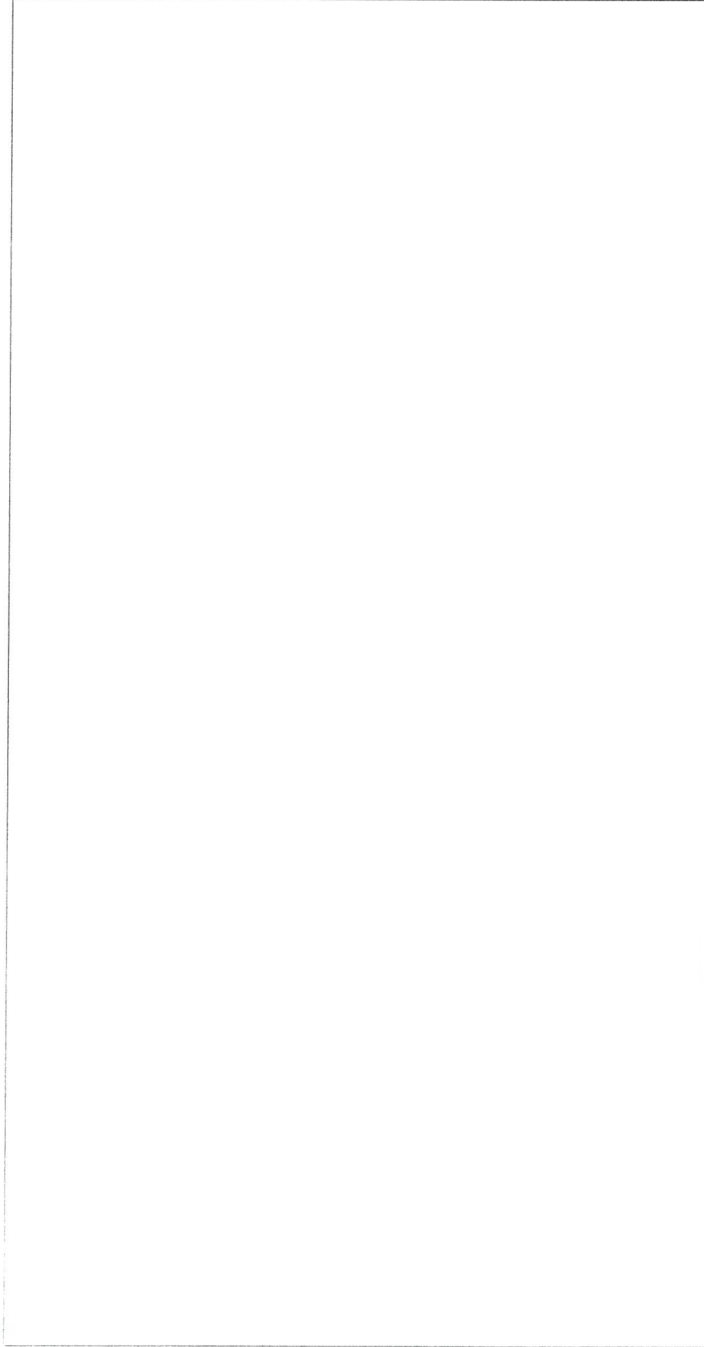


TABLE 2
Freight

	CARGO FLOWN (KG) - CONFIDENTIAL INFORMATION DELETED												
SECTOR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
POMHIR													
HIRPOM													



CARGO REVENUE (PGK) - CONFIDENTIAL INFORMATION DELETED													
SECTOR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
POMHIR													
HIRPOM													



8. **CONCLUSION**

Air Niugini considers that the reasons being presented before the ICCC regarding the existing Codeshare arrangement between Solomon Airlines and Air Niugini have significant public benefits, currently being realized through trade, business and sports, just to name a few, relative to the likely situation if the codeshare authorization was not granted.