

PNG'S AVIATION SECTOR FINALLY TAKES OFF

Following regulatory reform, Papua New Guinea's aviation sector is not only seeing greater competition, but expanding services.

Over the past five years, Papua New Guinea's aviation sector has witnessed changes in several areas ranging from regulation to the expansion of routes and seat capacities on PNG's international and domestic airlines.

GROWING DEMAND

These changes couldn't have come at a better time as they were vital in helping gear up the industry to meet the growing demand in air services driven by the country's fast-growing economy.

The growth of mineral exploration and the related infrastructure development it brings in its wake has caused a spurt in demand both for international passenger and freight capacity and for a more regular and reliable domestic flight network connecting urban centres with some 20 airports in the country's far-flung provinces. The progress on the multi-million dollar ExxonMobil LNG project alone is expected to boost passenger numbers by at least 7000.

EXPANSION PROGRAMS

Consequently, national carrier Air Niugini Limited (ANL) has embarked on a fleet replacement and expansion program over the past five years to better suit its domestic hub and spoke operations. It now has a fleet of half-a-dozen 98-seat Fokker 100s, which it also flies on shorter international hauls to Cairns and Honiara in the Solomon Islands. Its wide-bodied Boeings serve more distant international destinations like Singapore, Manila, Tokyo, Hong Kong and, as announced in October 2008, Kuala Lumpur.

'Air Niugini has completed refitting of the fleet, except for the overseas planes,' ANL Chairman Sir James Tjoeng told *Business Advantage*. 'ANL has committed to purchasing a Boeing 787 and this should arrive in 2012/13. This will place ANL in a very competitive situation. We will be in a strong position to provide a modern service for the ExxonMobil business. The priority for ANL is to continue to provide a safe and profitable national airline carrier.'

NEW ENTRANTS

ANL has also a number of codeshare deals with other international airlines, including Australia's Qantas. Later this year, Qantas has plans to fly its own aircraft into Port Moresby, reinforcing PNG's emergence as an important destination in the region.

Virgin subsidiary Pacific Blue entered the PNG market in November 2008 under a codeshare arrangement with domestic and charter operator, Airlines PNG.

'Ours is a traditional code share arrangement. We purchase blocks of seats on their aircraft and we sell those seats,' says Airlines PNG Managing Director and Chief Executive Officer John Fitzgerald. 'The travellers benefit because there is another player in the market ... Airfares are spiralling downwards.' 'Interlining' between the two airlines was due for completion by March 2009, which will make travel between PNG and Australia much easier:

'People will be able to seamlessly get a ticket to travel from, say, Madang to Port Moresby to Brisbane to Perth, all on one ticket with their baggage transferred between flights,' Fitzgerald explains.

DOMESTIC SERVICES

The growth in domestic traffic has spurred a race in PNG's domestic air services industry to acquire smaller aircraft to suit conditions at provincial airports and the provision of more reliable services.

Major domestic players like Airlines PNG (which listed on the Port Moresby Stock Exchange in June 2008) and growing numbers of provincial niche charter players like Tropicair and Heli Niugini are beginning to compete with one another.

INCREASED SOPHISTICATION

As the Government and the reformed Civil Aviation Authority (see box) launch programs to improve airport infrastructure around the country, the airlines are calling on international expertise in route mapping, scheduling and load factoring to meet the progressively expanding demand over the coming years.

A NEW VISION FOR PNG'S AIRPORTS & AIR SERVICES



THE CAA HAS PLANS TO TRANSFORM PORT MORESBY'S JACKSON'S AIRPORT INTO A 'FIVE STAR' AIRPORT.

PNG's Civil Aviation Authority has embarked on a major reform program.

'The years 2007/2008 saw the restructure of the Civil Aviation Authority,' says Chairman Rex Paki. 'The restructure broke up the organisation into two divisions: regulatory and non-regulatory.' CAA is now known as CASA as of April 2009.

While the former division retains all regulatory activity, the latter has three arms with a largely commercial mandate: PNG Air Services will look after operational matters such as air traffic control, PNG Airports Ltd will be responsible for airport infrastructure development and PNG Airport City Developments will be charged with projects related to the development of airport precincts.

One of the first tasks of the newly aligned organisation will be to transform the country's premier port of entry, Jackson's International Airport in Port Moresby.

Jackson's will be one of the most liveable, comfortable airports in the world,' explains the CAA's Chief Executive Officer, Joseph Kintau. 'The accommodation will be right there. There will be great cargo facilities. The terminals will be improved. There will be more aircraft. It is because the airport sets the tone for the whole country that we plan to make Jackson's the flagship. Many PNG people go overseas but even those who don't might want to come to the airport for the experience and the facilities. That's our dream.'

The trifurcation of the restructured CAA's non-regulatory arm also affords it the opportunity to tap financial resources under a variety of arrangements, including public-private partnerships.

Opportunities for developing executive hotels, business and industrial parks and office blocks in the airport precincts, as in cities around Australia, will soon be available in PNG, thanks to these reforms. These could either be joint sector or fully private sector projects.

According to Rex Paki, the ultimate goal of the restructure is the complete privatisation of PNG's airports over the next 20 years.

'Our focus is on service delivery. We now have a scheduling guru who is looking at our routes, he'll concentrate on the core business and analyse it. He'll look at routes that are unprofitable and excise them,' said Airlines PNG's John Fitzgerald. 'Conversely, he will also recommend expansion on existing and new routes.'

AIRPORT INFRASTRUCTURE

However, many of the provincial airports around the country are in need of urgent upgrading. This opens up a range of opportunities to the global aviation, infrastructure and ancillary industries in PNG.

As part of its reform process and upon advice from major international funding agencies like the Asian Development Bank, the Government is considering developing strategic partnership programs and is encouraging public-private partnerships as a means to develop aviation infrastructure. Full privatisation of infrastructure and services too is on the cards, opening further opportunities for investment.

Expansion plans are also afoot for airports in Lae, Madang, Tokua (Rabaul), Kargan, Gurney (in Milne Bay Province, scheduled soon to become PNG's second international airport), Wewak and Goroka to be able to handle bigger aircraft like Boeing 737s. This would also throw open a flood of opportunities for investment in tourism-related industries, including hotels, local transportation, food and beverages and telecommunications.

Clearly, the reform in PNG's aviation industry is proving a beacon for international investment, not just in the aviation sector but also in large swathes of the country's economy ranging from mineral exploration, energy, tourism and infrastructure to services in the information technology and telecommunications sector. ■



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