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NEC gives in-principle approval to merger of Air Niugini and Airlines PNG

The Prime Minister Hon Peter O'Neill today announced that NEC had given in-principle approval for Air Niugini to merge with Airlines PNG.

“This decision is demonstration of my Government’s commitment to provide **affordable, reliable services to people**, especially in rural areas,” the Prime Minister said.

“The vast majority of our people live in isolated areas, totally dependent on mobile phones and air services for communication. Their welfare and living standards cannot be improved without airlines serving their communities. Air Niugini has always concentrated on the trunk routes, and is not able to provide services to smaller centres, where most people live.”

“The Government will never have the capital required to provide these services on its own, whether through Air Niugini or another government-owned airline. My Government recognises this fact, and is also committed to instilling commercial discipline into the state-owned enterprises.”

“The proposed merger of the two airlines provides a solution to this problem. It is an example of Public Private Partnership in practice, not the flowery words of the former Minister Arthur Somare. Together, Air Niugini and Airlines PNG will complement each other and be in a position to provide the services our people need, without capital injections from the Government.”

The Prime Minister stressed that **Air Niugini would continue to operate**. “In fact instantly Air Niugini will grow. It currently has 21 aircraft. Straight after the merger it will have 33, as the 12 Dash aircraft owned by Airlines PNG will be transferred to Air Niugini and painted in Air Niugini livery (colours and logo) for operation on the major routes. This will result in increased frequency of services for passengers, at more convenient times.”

The Prime Minister said that the major result of the merger would be a **significant expansion of services**.

“Presently, only 32 ports have scheduled airline services. The plan is that by Christmas, 126 aerodromes will have scheduled passenger services. By April 2012, 169 more airstrips will see services commence, and by August next year, a total of 328 cities, towns and villages will have regular services. This is a massive **925% increase in areas which will have services**, in one year from now,” the Prime Minister said.

“I am sure all Papua New Guineans will agree that this is very exciting news. I gave people my commitment that they would see real change in the short time the O’Neill-Namah Government has to govern. This is an example of real change.”

The Prime Minister also said that another benefit of the merger is that it would create a very robust, PNG-owned airline. “On their own, neither Air Niugini nor Airlines PNG will achieve significant growth. But together, we can expect a leap forward in the domestic aviation industry. Employment will grow. The new airline will contribute far more to social and economic growth than its predecessors.”

“There will be **no** job losses as a result of the merger. I give that guarantee to employees of Air Niugini – and employees of Airlines PNG. In fact jobs will grow, and there will be better opportunities for promotion and training. I hope before long we will see PNG become an aviation training centre, not just for Papua New Guineans, but for the region,” the Prime Minister said.

The Prime Minister said that the details of the merger would be worked out by a special Merger Implementation Office that was to be immediately established under the direction of Rt Hon Sir Mekere Morauta, the Minister for Public Enterprises.

“Both Air Niugini and Airlines PNG will be members of the Implementation Office, as will IPBC. The Office will be assisted by technical experts including Independent Valuers who will undertake a due diligence exercise to ascertain the exact value of the assets and business of each airline. IPBC will co-ordinate the input of relevant government agencies, including the aviation regulatory authority and ICCC.”

“At this early stage it is likely that Air Niugini will have the majority of shares in the new merged airline. The exact break-up of the shareholding will be determined by the valuations.”

Mr O’Neill said that people could be assured that they would get full and fair value for Air Niugini. “Sir Mekere will establish a clean, transparent process for implementation of the merger. Work is to start immediately, so that the target dates for the expansion of services can be met,” the Prime Minister said.

Peter O’Neill CMG MP
Prime Minister