Rt Hon Sir Mekere Morauta
Minister for
Public Enterprises

Proposed airlines merger to help PNG

As the Minister responsible for Air Niugini and other state-owned enterprises, I welcome the interest and comment being made about the proposed merger of Air Niugini and Airlines PNG.

It is always important in public debate for people to base their views on facts.

The first thing for people to know is that Cabinet has only made an in-principle decision. That means that the final decision is yet to be made.

Cabinet established a Merger Implementation Committee, under my Chairmanship, to work out the details and report back to the shareholders – the Government and the 2000-plus Papua New Guinean shareholders of Airlines PNG.

The proposals from the Merger Committee will be made public, so that people can make up their own minds based on facts.

What can be said right now is that there will be **NO JOB LOSSES** as a result of the merger. The Prime Minister and I have both given this undertaking.

I am happy to give this guarantee in writing to the Air Niugini unions and to the workers of Airlines PNG. I am happy to meet unions at any time to discuss their concerns.

So what are the major reasons behind the concept of the merger?

The proposed airline merger has many big benefits for Papua New Guinea.

It will create a bigger and stronger national airline that will provide better services to more places.

Air Niugini will be majority owner of the new merged airline. The Air Niugini name, emblem and colours will be kept for the international and major domestic routes – as will the name, emblem and colours of Airlines PNG on other routes.

The O'Neill-Namah Government makes the following promises:

BETTER SERVICES

At present between ANG and APNG, there are only 32 places that have scheduled services.

The Government believes the merged airline will be able to fly scheduled services to 126 places within six months, 295 places within nine months and more than 325 places within 12 months.

That is a HUGE INCREASE in scheduled services to rural areas – within one year, an increase of 925% in terms of coverage.

The merged airline will re-open disused rural strips using a special fly-in-fly-out repair squad, at no cost to the Government.

FAIR VALUE

Independent valuations of both airlines by reputable advisers experienced in mergers and acquisitions will be commissioned by the Merger Committee to ensure that the Government and people of Papua New Guinea receive full and fair value for Air Niugini in the merged entity.

NO JOB LOSSES

The O'Neill-Namah Government **GUARANTEES THERE WILL BE NO JOB LOSSES** as a result of the merger.

We believe the merger will in fact create employment opportunities both within the merged airline and from increased business activity in rural areas that will get new scheduled services.

There will be more jobs for pilots, engineers, maintenance, cargo and ground staff, and more opportunities for training.

There is potential for the merged airline to become the basis for an aviation Centre of Excellence in the region.

There is also potential for the merged airline to expand international services, rather than reducing them as Air Niugini is now doing.

COMMUNITY SERVICE OBLIGATIONS

The O'Neill-Namah Government will put in place comprehensive Community Service Obligations that will outline the level of services that the merged airline **MUST PROVIDE**.

At present, neither Air Niugini nor Airlines PNG is covered by Community Service Obligations.

Community Service Obligations will be aimed at ensuring the increased coverage of services is met, and that people can afford to fly.

ICCC

When the details have been worked out by the Merger Committee, a formal application to ICCC will be made by the shareholders for ICCC to examine the issues regarding competition and service standards.

The ICCC will examine the merger to ensure that it is in the best interest of Papua New Guineans and that the merged airline is not able to abuse its market power.

ICCC is independent and has the skills available to assess the relevant issues when they have all the information. That process is set by law and of course it will be respected.

NATIONALLY OWNED AIRLINE

The merged airline will remain in Papua New Guinea ownership, with Air Niugini as majority owner.

Airlines PNG is a Papua New Guinea-owned airline. Its Top 20 shareholders include Mr John Wild, a PNG citizen, Nasfund, OK Tedi landowners, MRDC, Teachers Savings and Loans and Credit Corporation. Together, the Top 20 shareholders own 88 per cent of the airline. Airlines PNG has almost 2400 shareholders in total, nearly all of them small PNG companies and individuals, including staff members.

The O'Neill-Namah Government will no longer keep injecting millions of kina each year into Air Niugini for its operational requirements. The only money the Somare Government gave Air Niugini was to buy the famous Falcon, the aerial PMV. While Air Niugini operates 21 aircraft, it only owns 5 of those aeroplanes – 3 F-100s, 1 Dash-8 and the Falcon. The other 16, including all the big jets on the international routes, are leased through banks and overseas companies.

Air Niugini needs K800 million in the next 3 years to re-fleet. Where will Air Niugini get the money? Not from the Government. Air Niugini has no capacity to borrow K800 million.

Air Niugini must now stand on its own so that more Government money can be spent where it is needed most – helping people by improving health and education and rural services such as, roads, water supplies, power and communications.

The Government has to look at alternative ways of providing air services to people – thus the merger.