I thank Andrew Wilkins and the conference organisers for inviting me to address you on one of Air Niugini’s major priorities – the development of Port Moresby’s Jacksons Airport as a regional air transport hub.

Before I speak specifically about this important and challenging project, I want to give you an update on the national flag carrier today and on some of our priorities as they impact on our business customers and our commercial partners.

As many of you will know, Air Niugini has been operating for almost 44 years – its establishment preceded Independence in 1975 and brought together the three airlines then servicing pre-independence Papua New Guinea…..Qantas, TAA and Ansett.

The government of Papua New Guinea became the initial majority shareholder and by 1981 the National Government had acquired a 100 per cent shareholding interest.

Air Niugini has enjoyed significant growth over what has been a relatively short history – growth the board and management today are proud of, and are determined to maintain and build on in the future.

Today Air Niugini operates 25 aircraft, with services to 25 domestic and 14 regional and international destinations.
The airline’s safety record is outstanding – right up with the world’s safest and most respected airlines. When we look at our record of safety, we need to remember that servicing many of our domestic destinations is demanding given the topography of Papua New Guinea, tropical weather patterns, and the distances involved in many services.

For much of our history “on time” performance of our domestic services was a major problem. I am proud to tell you today that whereas once it was below 50 per cent it is now averaging around 90 per cent – and we will lift it even higher.

I do want to make very clear before I talk about our priorities today and tomorrow that our development has not been without challenges, and some setbacks - setbacks I am proud to say we have overcome.

Like so many other sectors of the PNG economy, we benefited significantly from the construction phase of the PNG Gas Project, and growth in the mining sector. As the official carrier for the Gas Project developers we enjoyed substantial passenger and cargo growth – and I am sure Exxon Mobil and Oil Search will confirm Air Niugini’s performance as the air carrier was exceptional.

That record has ensured we are very well placed to provide the same, and even better, standards of service when future resource sector projects are developed.

The end of the LNG Project construction phase came at the same time as we had to confront other significant challenges – a general downturn in domestic and international travel, and especially business travel, in Papua New Guinea and our region due to falling commodity prices, higher aviation fuel costs partly due to currency changes and higher world prices for fuel, and other cost increases we had to meet such as landing and servicing charges.

Taken together, these factors required tough decisions by my board and our management.

We simply had to substantially cut our operating costs – and do so with urgency.

The employment packages of our technical crew, our pilots, were no longer affordable. After protracted, and at times tense, negotiations with the Pilots associations, both salaries and benefits, were reduced by an average of 10 per cent.
I am sure you can all relate to the difficulty of negotiations that had to lead to significant reductions in key employee benefits!

But with ultimate goodwill, we achieved them without any significant industrial disruption or loss of morale and performance at any level.

Air Niugini has had to make savings in other areas, achieved principally through the non-replacement of some employees who resigned or retired and through other measures. They have been achieved in full – something I am grateful to our management team, led by our CEO, Simon Foo, and our employees and their representatives for delivering and accepting.

I am proud to tell you that today Air Niugini is more efficient than it has ever been – and we have achieved that without compromising safety in any way or the high standard of our service to our passengers, and our commercial partners, we give priority to.

Before I turn to the development of our regional hub project, I want to stress a couple of points about Air Niugini and the environment in which we operate.

Air Niugini is wholly owned by the State. Unlike most other state owned businesses, we have to operate in a highly competitive environment on both domestic and international routes.

We are also the designated “national flag carrier” with significant community service obligations requiring us to maintain services to remote and smaller destinations across our vast nation even when they are unprofitable. No other airline has that requirement.

Even in the most challenging times, as I have outlined, we have maintained those services to distant destinations, servicing communities wholly or largely dependent on air services for travel and communications.

The establishment of a lower cost subsidiary airline, Link PNG, has been significant in helping us to continue to deliver on our community service obligations – but doing so means we have to maximise efficiency in other areas at all times.

Providing air services to and from ports which don’t have night landing and take-off facilities is a challenge. It means we cannot achieve maximum efficient use of our aircraft even on key domestic routes. Securing government support for the expansion of night flying opportunities is a work in progress – and something we have to achieve over time.
At present, due to weather and conditions at most of our domestic airports our flying opportunity each day is limited to around 5 hours – which is simply not commercial by any standards. Night flying capability is a must.

One area that has been a challenge – and one I am pleased to say the National Government is really focusing and delivering on – is the upgrading of airstrips to take larger aircraft and the improvement of terminal facilities.

A large number of airstrips and terminals across Papua New Guinea are today benefiting from this important national government program.

PORT MORESBY – A MAJOR REGIONAL AIR TRAVEL HUB

Ladies and gentlemen, that brings me to the key issue I have been invited to speak on – the development of Jacksons International Airport as a major and growing regional air travel and aviation hub.

When I have done so I will briefly outline the quite significant steps we are taking to enhance our services to our business customers on both our domestic and international services. I assure you we are not neglecting our business customers in the face of growing competition including that from Qantas on our Brisbane and Sydney routes.

The National Government, under the leadership of Prime Minister O’Neill, has invested a significant amount in the redevelopment of Jacksons International Airport in Port Moresby – with both domestic and international terminals now modern, highly efficient and passenger friendly facilities.

In Australian dollar terms its contribution has been more than $300 million.

Air Niugini is embracing the real opportunity this major redevelopment has facilitated.

Our goal is to establish Port Moresby as a regional “hub” for air travellers connecting Australia with Asia, and Asia with Oceania, as well as meeting the intra-Pacific needs of countries in Micronesia and Melanesia.

Many of you will have benefited from the new and passenger friendly international terminal – including transit facilities.

Air Niugini, through the biggest re-fleeting program in our history, and opening new routes, is determined to make Jacksons Airport a vibrant and highly efficient hub for the region in which we operate and beyond.
The benefits from this project will flow beyond Air Niugini. It will boost national government revenue through arrival and departure taxes, and consumer spending by passengers, and we believe it will significantly boost tourism and domestic travel as well.

As I am sure you are aware, we have competition on a number of our international routes – notably to Brisbane and Sydney and Manila. Our challenge is to maximise our passenger numbers by the quality of our service, and the opportunities we offer to connect efficiently to and beyond key cities such as Singapore and Hong Kong and Brisbane and Sydney.

In the first quarter of next year we will take the historic steps of connecting Papua New Guinea with the world’s largest nation – China.

Services will operate regularly between Port Moresby and Shanghai’s Pudong Airport – which in 2016 handled 66 million passengers on international and domestic flights. It is the main hub for China Eastern and Shanghai Airlines.

Shanghai was chosen because it offered the best opportunity for Air Niugini to meet the needs of business passengers and tourists. And that assessment looked at the unique opportunity to have Port Moresby as a “hub” for travellers to and from China from the Pacific Islands, particularly Melanesia and Micronesia, and North Queensland.

Air Niugini will undertake an extensive business and travelling public engagement campaign in the run up to the first flight, expected to be in March next year. I hope the Australian business community, and the regional business community, as well as our own, will look at engaging with us in the careful planning and development of a service that will be a challenge, but offers a unique opportunity to connect with the world largest nation and arguably the fastest growing major economy.

In November next year Papua New Guinea will host the annual APEC Leader’s Summit – and numerous lead up meetings will be held in Port Moresby and other major centres in the country in the run up to the Leader’s Summit.

As the official carrier for APEC Air Niugini will be making a major contribution to APEC related events over the next fifteen months – and establishing a regular air service to one of the most important APEC member nations could not be better timed.
While our “hub” project targets major airports as I have mentioned, it will also play a very useful role in providing links for the distant island nations of Melanesia, and increasingly Micronesia.

In addition to the more established flights to Honiara (Solomon Islands), Port Vila (Vanuatu) and Nadi (Fiji), we now have regular services between Port Moresby and Pohnpei and Chuuk in the Federated States of Micronesia, and already we are exploring opportunities in nations such as the Republic of Kiribati and Marshall Islands.

Earlier this year we established twice weekly services to and from Townsville in addition to daily flights to Cairns. Air Niugini now services Cairns and Townsville, as well as Brisbane and Sydney – with a total of 50 flights a week – more than any other airline. Freight is also well catered for, with our “wide body” Boeing 767s offering the only daily containerised freight solution between Australia and Papua New Guinea.

The “hub” opportunity for North Queensland business travellers and tourists was well demonstrated earlier this week when a Townsville business delegation travelled to Singapore – via Port Moresby. And they will return the same way tomorrow!

The development of the Port Moresby “hub” remains a work in progress, however already we are seeing a large increase in the number of passengers connecting between the Pacific Islands and Asia, and between Queensland and Asia and Pacific Islands. These are early days, and there are challenges, but we at Air Niugini are confident it will be a real success.

An important part of the development, and its future growth, must be real growth in the PNG tourism industry, and the economy generally.

The newly elected national government has listed tourism as a key industry to be supported and developed. Air Niugini fully supports that and is already working with government agencies, and the tourist industry, to “grow” an industry with so much potential, one which has really “under-achieved” for too long.

Provided the whole industry – airlines, ground transport, accommodation providers, resorts, government and community leaders, and other stakeholders such as travel agents work together, Papua New Guinea can develop a unique tourism industry, one that will really boost our SME business sectors and employment.
As the hub develops, and obstacles such as visa requirements and infrastructure, are overcome, I am confident it will be a significant partner in the development of our tourism and travel sectors.

To meet our growing regional and international services, as well as strengthening our main domestic routes, all benefiting from a modern national airport, and hub, Air Niugini is undertaking the largest fleet replacement and upgrading program in our history.

We have completed the introduction of nine Fokker 70 aircraft into our fleet. They will be the future “work horses” of the airline. They are fuel efficient, offer excellent passenger comfort and are well suited to the needs of our main domestic routes and services to our region – such as North Queensland and the Pacific Islands.

We are progressively installing business class seating in each aircraft as well as WiFi. Our fleet of Boeing aircraft already includes “flat beds” in business class and in-seat entertainment in both business and economy classes.

Our subsidiary company, Link PNG, is also adding an eighth Dash-8 aircraft to its fleet to enable us to better serve some of the more remote airstrips and communities.

Our next major replacement milestone is the acquisition of four brand new Boeing 737-Max aircraft for our international routes. These will be introduced by 2020….and are more efficient, environmentally friendly aircraft that will strengthen our international services significantly.

Ladies and gentlemen, developing Port Moresby as a highly competitive regional “hub” is a major challenge. But it is a challenge I believe we are more than capable of meeting. I hope we will have your support, and that of our businesses, in doing so.

A BUSINESS FRIENDLY AIRLINE

Before I conclude, I would like to briefly update you on steps Air Niugini is taking to respond to the changing demands of our business customers, and to ensure we are competitive especially on our main domestic routes, and our key international services, foremost among them our services to Australia.
I have mentioned the installation of business seating livery and WiFi in our Fokker aircraft. We will offer WiFi and charging facilities in our larger aircraft as well.

We have established an excellent Business Travel Agency in Port Moresby and it is already proving to be a success, and we will expand it as demand requires.

In the coming weeks Air Niugini will complete the transfer to the Sabre Solutions Passenger System (PSS) – Sabre is the world’s largest PSS provider.

It will revolutionise our online customer experience and assist us better manage our capacity. I believe businesses and business people will be the main beneficiary. We will offer online services equal to any of our competitors. Passengers will be able to compare fares, make online bookings efficiently and select seats and check in.

We will conduct a customer education campaign when the installation is completed – but many of you will already be familiar with the system.

We have also upgraded our airport business lounges and other facilities.

Air Niugini is able to deliver on its community service obligations to remote and smaller communities partly because we have strong business travel support. But we need to “grow” it even further. Our fleet modernisation program and the other improvements I have mentioned will help us to do so.

CONCLUSION

I believe Air Niugini is a genuine success story.

We have an excellent safety record – and reliability and efficiency improving all the time. We are modernising our fleet – and we put a lot of focus on staff training so that our staff relate well to our passengers and commercial partners.

We have faced real challenges. We have overcome them – and we have a secure future.

I invite you to try an Air Niugini experience soon! Thank you.

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