

DECISION

DECISION: IASC/DEC/9901
VARIATION OF: DETERMINATIONS
IASC/DET/9609, IASC/DET/9712
& IASC/DET/9713
THE ROUTE: SINGAPORE
THE APPLICANT: QANTAS AIRWAYS LIMITED
(ACN 009 661 901)
PUBLIC REGISTER FILE: IASC/APP/98033

1 The application

1.1 Qantas Airways Limited (Qantas) holds a total allocation of 41.85 B747 equivalent units of capacity on the Singapore route. This allocation arises from allocations made under the following Determinations IASC/9609 (1.65 units), IASC/DET/9712 (32.7 B747 units) and IASC/DET/9713 (7.5 units).

1.2 The bilateral arrangements covering air services between Australia and Singapore were recently revised to express capacity in terms of seats instead of B747 equivalent units. Qantas has applied to the Commission to vary its allocations of capacity so that they were expressed in terms of numbers of seats as follows IASC/DET/9609 (zero seats), IASC/DET/9712 (11,940 seats) and IASC/DET/9713 (2,800 seats).

2 Commission's consideration

2.1 If an Australian carrier applies for a variation of a determination it holds, and the only effect of the variation would be to reduce the capacity allocated to the carrier, the Commission is not required to invite submissions (section 22(1A)) and must vary the determination as requested in the application (section 24(3)).

2.2 The Register of Available Capacity has been amended to reflect the new capacity units. In updating the Register the Department of Transport and Regional Services has converted B747 equivalent units to seats at the rate of 400 seats per unit.

2.3 On the basis of the above conversion rate the Qantas requested variations would result in reductions in capacity in all three Determinations as follows, 660 seats less in IASC/DET/9609, 1,140 seats less in IASC/DET/9712 and 200 seats less in IASC/DET/9713.

2.4 The Commission notes that the Qantas application for variations will leave Qantas with 498 seats of capacity which will not be used under its current schedule of aircraft operations. Qantas has stated that this unused capacity would be used “to permit flexibility to add new frequencies and to substitute larger aircraft as required without recourse to the Commission”.

2.5 The Commission has previously acknowledged that the ability of a carrier to fully utilise allocated capacity can be dependent on circumstances outside the carrier’s control. Such circumstances can include routes with a high degree of seasonality or where dramatic changes in economic conditions have led to a temporary suspension of services. Under such circumstances the Commission has indicated it would not initiate a review of the underutilisation of capacity in the absence of other prospective users of the capacity.

2.6 The Commission does not consider that the concept of “buffer” capacity falls within the above group of circumstances. The Qantas proposal would effectively see Qantas reserve capacity without a stated intention to utilise it at any later stage. While the Commission does not have the power in the context of the Qantas application to further reduce the capacity allocated under the relevant determinations to eliminate the “buffer” capacity, it will monitor Qantas utilisation of capacity on the Singapore route and seek a return of the “buffer” capacity in the event it is not utilised within a reasonable period.

3 Decision (IASC/DEC/9901)

3.1 In accordance with section 24(3) of the Act, the Commission makes the following variations, as requested by Qantas:

- in Determination IASC/DET/9609 *changes* the allocated capacity from 1.65 B747 equivalent units per week to zero seats per week;
- in Determination IASC/DET/9712 *changes* the allocated capacity from 32.7 B747 equivalent units per week to 11,940 seats per week; and
- in Determination IASC/DET/9713 *changes* the allocated capacity from 7.5 B747 equivalent units per week to 2,800 seats per week;

Dated 3 March 1999

Russell V Miller
Chairman

Michael L Lawriwsky
Member

Stephen Lonergan
Member