



Australian Government

International Air Services Commission

DETERMINATIONS

Determinations: [2007] IASC 122 and [2007] IASC 123
The Route: Papua New Guinea
The Applicants: HeavyLift Cargo Airlines Pty Ltd (ACN 102 571 746)
(HeavyLift) and Qantas Airways Ltd (ACN 009 661 901)
(Qantas)

Public Register File: IASC/APP/200722

1 The applications

1.1 On 2 November 2007, HeavyLift applied for an increase in its freight capacity allocation on the Papua New Guinea route to a total of 85 tonnes per week in each direction. At present, HeavyLift has an allocation of 40 tonnes per week in each direction on this route. This meant that HeavyLift was seeking an allocation of 45 tonnes per week on the route. HeavyLift advised that it proposed to utilise the total allocation of 85 tonnes per week by operating three Boeing 727-200 flights.

1.2 In response to HeavyLift's initial application, the Commission published a notice on 13 November 2007 inviting other applications for all or any part of the capacity sought by HeavyLift on the Papua New Guinea route.

1.3 A notice of intention to make an application for capacity on the route was received from Qantas on 14 November 2007. Based on the published load capability of HeavyLift's Boeing 727-51C aircraft, Qantas questioned the need for HeavyLift to seek a total of 85 tonnes of capacity. Qantas suggested that a total allocation of 60 tonnes would be adequate to meet the requirements of HeavyLift to operate three weekly services.

1.4 On 15 November 2007, HeavyLift revised its application and sought a total allocation of 66 tonnes per week on the route. HeavyLift advised that the allocation would be utilised by operating two weekly Boeing 727-100F services (freight capacity of 20 tonnes) and one weekly Boeing 727-200F service (freight capacity of 26 tonnes). As HeavyLift has an allocation of 40 tonnes, this meant that the allocation sought is 26 tonnes per week in each direction.

1.5 On 22 November 2007, Qantas applied for an allocation of 34 tonnes per week. Qantas advised that the capacity would be utilised by operating two services a week between Cairns and Port Moresby using Boeing 737-300 freighter aircraft.

2 Current services

- 2.1 The Papua New Guinea route is served by Air Niugini, which operates:
- Four Boeing 767 services per week between Port Moresby and Brisbane, as well as two Boeing 767 services per week between Port Moresby and Brisbane/Sydney. The Boeing 767 aircraft has significant freight carrying capacity in the belly hold.
 - 12 Fokker F100 services per week between Port Moresby and Cairns. This aircraft has little freight capacity.
- 2.2 Qantas sells belly hold space for the carriage of freight on the Air Niugini Boeing 767 services.
- 2.3 The route is also served by Airlines of PNG, but the aircraft used have limited freight capacity available. Queensland Regional Airlines has an unused allocation for passenger services but there is limited freight capacity available on the aircraft that are proposed to be used.
- 2.4 HeavyLift has an allocation of 40 tonnes per week of freight capacity on the route.

3 Provisions of relevant air services arrangements

- 3.1 The proposed operations by HeavyLift and Qantas are consistent with the air services arrangements between Australia and PNG.
- 3.2 Under the arrangements with Papua New Guinea, designation of multiple airlines is permitted. There are 100 tonnes per week of dedicated freight capacity available to Australian carriers, of which 40 tonnes per week has been allocated previously to HeavyLift. This leaves 60 tonnes per week available for allocation.

4 Commission's assessment

- 4.1 Under paragraph 4 of the Minister's policy statement, the use of Australian entitlements by a carrier that is reasonably capable of obtaining the necessary approvals (4(b)(i)) and of implementing its proposals (4(b)(ii)) is of benefit to the public.
- 4.2 The Commission notes that HeavyLift is an established carrier on the PNG route and operates a number of other international freight services. Similarly, Qantas is an established airline. Both carriers meet the paragraph 4 criteria.
- 4.3 Accordingly, the Commission will allocate 26 tonnes of freight capacity per week to HeavyLift. Although HeavyLift did not specify the length of the determination sought, the Commission will allocate the capacity for a five year period.

4.4 The Commission will allocate 34 tonnes of freight capacity per week to Qantas on the route for a five year period as requested by Qantas.

5 Determination allocating capacity on the Papua New Guinea route to HeavyLift Cargo Airlines Pty Ltd ([2007] IASC 122)

5.1 The Commission makes a determination in favour of HeavyLift Cargo Airlines (HeavyLift), allocating 26 tonnes of freight capacity per week in each direction on the Australia Papua New Guinea route, in accordance with the Australia – Papua New Guinea air services arrangements.

5.2 The determination is for five years from the date of the determination.

5.3 The determination is subject to the following conditions:

- HeavyLift is required to fully utilise the capacity from no later than 31 March 2008 or from such other date approved by the Commission;
- only HeavyLift is permitted to utilise the capacity;
- HeavyLift is not permitted to utilise the capacity to provide services jointly with another Australian carrier or any other person without the approval of the Commission;
- changes in relation to the ownership and control of HeavyLift are permitted except to the extent that any change:
 - results in the designation of the airline as an Australian carrier under the Australia – Papua New Guinea air services arrangements being withdrawn; or
 - has the effect that another Australian carrier, or a person (or group of persons) having substantial ownership or effective control of another Australian carrier, would take substantial ownership of HeavyLift or be in a position to exercise effective control of HeavyLift, without the prior consent of the Commission; and
- changes in relation to the management, status or location of operations and head office of HeavyLift are permitted except to the extent that any change would result in the airline ceasing to be an airline designated by the Australian Government for the purposes of the Australia – Papua New Guinea air services arrangements.

6 Determination allocating capacity on the Papua New Guinea route to Qantas ([2007] IASC 123)

6.1 The Commission makes a determination in favour of Qantas, allocating 34 tonnes of freight capacity per week in each direction on the Australia - Papua New Guinea route, in accordance with the Australia – Papua New Guinea air services arrangements.

6.2 The determination is for five years from the date of the determination.

6.3 The determination is subject to the following conditions:

- Qantas is required to fully utilise the capacity from no later than 31 March 2008 or from such other date approved by the Commission;
- only Qantas is permitted to utilise the capacity;
- Qantas is not permitted to utilise the capacity to provide services jointly with another Australian carrier or any other person without the approval of the Commission;
- changes in relation to the ownership and control of Qantas are permitted except to the extent that any change:
 - results in the designation of the airline as an Australian carrier under the Australia – Papua New Guinea air services arrangements being withdrawn; or
 - has the effect that another Australian carrier, or a person (or group of persons) having substantial ownership or effective control of another Australian carrier, would take substantial ownership of Qantas or be in a position to exercise effective control of Qantas, without the prior consent of the Commission; and
- changes in relation to the management, status or location of operations and head office of Qantas are permitted except to the extent that any change would result in the airline ceasing to be an airline designated by the Australian Government for the purposes of the Australia – Papua New Guinea air services arrangements.

Dated 10 December 2007

John Martin
Chairman

Philippa Stone
Member

Ian Smith
Member