



Australian Government

International Air Services Commission

DETERMINATION

Determination:	[2008] IASC 114
The Route:	Papua New Guinea
The Applicant:	Pacific Blue Airlines (Australia) Pty Ltd (Pacific Blue Australia) (ACN 097 892 389)
Public Register:	IASC/APP/200821

1 The application

1.1 On 28 August 2008, Pacific Blue Australia applied for an allocation of 900 seats each way each week on the Papua New Guinea route. Pacific Blue Australia plans to use the capacity to introduce four B737-800 services per week between Brisbane and Port Moresby from 1 November 2008. A fifth weekly service is proposed to commence from November 2009, when the capacity would be fully utilised.

1.2 The Commission published a notice on 4 September 2008 inviting applications from interested parties for some or all of the capacity available on the route. No applications were received.

1.3 All material supplied by the applicant is filed on the Commission's Register of Public Documents.

2 Provisions of relevant air services arrangements

2.1 The Australia – Papua New Guinea air services arrangements permit the multiple designation of airlines by both parties to the arrangements. According to the Register of Available Capacity, there are 1,984 seats of passenger capacity in each direction available for allocation to Australian carriers. The Commission has previously made allocations totalling 1,216 seats per week in each direction on the Papua New Guinea route.

3 Commission's consideration

3.1 Pacific Blue Australia is the only applicant for capacity. Under paragraph 6.2 of the Minister's policy statement (No. 5), of 19 May 2004, the Commission is required only to apply the criteria in paragraph 4 of the policy statement. Under paragraph 4, the use of entitlements by an Australian carrier that is reasonably capable of obtaining the necessary approvals and of implementing its proposals is of benefit to the public. Pacific Blue Australia is an established carrier which is clearly capable of obtaining the

necessary approvals and of implementing the proposed operations. This means that there is public benefit arising from the use of the entitlements. The Commission will allocate to Pacific Blue Australia the 900 seats of capacity per week it has sought.

3.2 The Commission notes that Pacific Blue Australia's new services should introduce a substantial level of competition to the Australia – Papua New Guinea route. In addition to offering travellers a new choice of carrier, the airline's entry can be expected to stimulate more price competition on the route. Consequently, there is likely to be an increase in public benefits associated with air services between Australia and Papua New Guinea.

3.3 The Commission has held concerns for some time about the limited degree of competition in the Australia – Papua New Guinea passenger market. Those concerns were canvassed in the Commission's Decision [2007] IASC 213, which authorised continued code sharing between Qantas and Air Niugini until 31 December 2009. Air Niugini is the principal operator on the route, flying from Port Moresby to Cairns, Brisbane and Sydney. Qantas does not operate services in its own right, but code shares on Air Niugini's services. Some competition is already provided for Qantas and Air Niugini by another Papua New Guinea operator, Airlines of PNG, which flies on the Brisbane – Port Moresby and Cairns – Port Moresby sectors.

3.4 The Commission notes that Pacific Blue Australia proposes to fully utilise the capacity by November 2009. The Minister's policy statement allows the Commission discretion in specifying a time by which a carrier must fully utilise allocated capacity. Consistent with Pacific Blue Australia's plans, the Commission will require Pacific Blue Australia to fully use the capacity by the end of November 2009.

4 Determination allocating capacity on the Papua New Guinea route to Pacific Blue Australia ([2008] IASC 114)

4.1 The Commission, makes a determination in favour of Pacific Blue Australia, allocating 900 seats per week in each direction on the Papua New Guinea route under the Australia – Papua New Guinea air services arrangements.

4.2 The determination is for five years from the date of this determination.

4.3 The determination is subject to the following conditions:

- Pacific Blue Australia is required to fully utilise the capacity from no later than 30 November 2009, or from such other date approved by the Commission;
- only Pacific Blue Australia is permitted to utilise the capacity;
- Pacific Blue Australia 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 Pacific Blue Australia 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 Pacific Blue Australia or be in a position to exercise effective control of Pacific Blue Australia, without the prior consent of the Commission, and
- changes in relation to the management, status or location of operations and Head Office of Pacific Blue Australia 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: 12 September 2008

John Martin
Chairman

Philippa Stone
Member