



Australian Government

International Air Services Commission

DETERMINATION

Determination: [2009] IASC 105
The Route: Indonesia
The Applicant: Pacific Blue Airlines (Aust) Pty Ltd
(ACN 097 892 389) (Pacific Blue Australia)
Public Register File: IASC/APP/200904

1 The application

1.1 On 13 March 2009, Pacific Blue Australia applied to the Commission for an allocation of 1,080 seats of capacity per week on the Indonesia route. This application has been made to enable the airline to operate six weekly services between Australia and Denpasar in Indonesia. Pacific Blue Australia proposes to operate the services using Boeing 737-800 aircraft configured with 180 seats.

1.2 The airline proposes to introduce three weekly services on the Melbourne-Denpasar sector and two weekly services on the Sydney-Denpasar sector. Pacific Blue also advised of its plan to add a weekly service on the Adelaide-Denpasar sector and has separately sought an allocation of unrestricted capacity to enable it to operate with unlimited capacity from points other than Sydney, Melbourne, Brisbane and Perth. Pacific Blue Australia advised that it proposes to progressively introduce these services during the Northern Summer Scheduling Period.

1.3 The application includes an allowance for additional capacity beyond its immediate requirements. The airline's position is that the current economic climate has significantly affected demand for its services and it must be able to respond flexibly to the changes in its market. The airline advised that the capacity would be fully utilised by 1 April 2010 and sought a five year determination.

1.4 The Commission published a notice on 19 March 2009 inviting other applications for the capacity. No other applications were received.

1.5 All material supplied by the applicant is filed on the Register of Public Documents.

2 Provisions of relevant air services arrangements

2.1 The air services arrangements between Australia and Indonesia permit the designation of multiple Australian airlines. According to the Register of Available Capacity, there are 2,208 seats per week available for allocation between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia. There are no

restrictions on capacity between other points in Australia and authorised points in Indonesia.

3 Commission's consideration

3.1 Pacific Blue Australia is the only applicant for the capacity. Under paragraph 6.2 of the Minister's policy statement, 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. For an established international carrier such as Pacific Blue Australia, this means that there is public benefit arising from the use of the entitlements.

3.2 The Commission recognises that air transport demand has dropped significantly on many routes and that the airline industry requires sufficient flexibility to deploy its aircraft on better performing routes in a timely manner. The Commission notes that the additional capacity sought beyond its immediate requirements to introduce three weekly services on the Melbourne- Denpasar sector and two weekly services on the Sydney- Denpasar sector amounts to 180 seats. The Commission considers this is a relatively small amount and notes the airline's intention to fully utilise it by 1 April 2010.

3.3 The Commission will monitor utilisation through the bi-annual capacity utilisation reporting process. The Commission is satisfied that there is sufficient capacity available on the route for other potential services and notes that if the capacity sought is allocated, there will 1,128 seats per week of capacity currently available for allocation.

3.4 The Commission will allocate to Pacific Blue Australia the 1,080 seats of capacity per week it has sought.

4 Determination allocating capacity on the Indonesia route to Pacific Blue Australia ([2009] IASC 105)

4.1 The Commission makes a determination in favour of Pacific Blue Australia, allocating 1,080 seats per week, in each direction on the Indonesia route in accordance with the terms of the Australia – Indonesia air services arrangements.

4.2 The determination is for five years from the date of the 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 1 April 2010, 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:
 - 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 – Indonesia air services arrangements.

Dated: 11 May 2009

John Martin
Chairman

Philippa Stone
Member

Ian Smith
Member