



Australian Government

International Air Services Commission

DETERMINATION

Determination: [2010] IASC 101
The Route: Papua New Guinea
The Applicant: Qantas Airways Limited
(Qantas) (ACN 009 661 991)
Public Register: IASC/APP/201002

1 The application

1.1 On 12 March 2010, Qantas applied for an allocation of 888 seats per week on the Papua New Guinea route. Qantas plans to use the capacity to operate 12 weekly return services between Cairns and Port Moresby from July, or as soon as all necessary approvals have been received, using QantasLink Bombardier Dash 8-Q400 aircraft configured with 74 seats.

1.2 The Commission published a notice on 12 March 2010 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.

2.2 Qantas currently has 1000 seats of capacity per week allocated to it enabling the airline to code share with Air Niugini. This capacity, marketed by Qantas under its designator on services operated by Air Niugini, counts as the exercise of Australian capacity entitlements under the air services arrangements. Pacific Blue Australia has a capacity allocation of 900 seats for its operations between Brisbane and Port Moresby.

2.3 According to the Register of Available Capacity, there are 1,300 seats of passenger capacity in each direction available for allocation to Australian carriers.

3 Current services

3.1 Air Niugini operates nine Fokker 100 services and three Bombardier Dash 8 services per week on the Cairns – Port Moresby sector. Airlines of PNG competes on this sector operating six Bombardier Dash 8 services per week.

3.2 Air Niugini also operates six Boeing 767 services per week between Port Moresby and Brisbane. It also operates two weekly Fokker 100 services and one weekly Boeing 757 service on the Brisbane-Port Moresby sector. The Qantas/ Air Niugini alliance faces competition on this sector from Pacific Blue's four weekly Boeing 737 services, which are operated under a code share agreement with Airlines of PNG. Air Niugini operates two Boeing 757 services per week between Port Moresby and Sydney and is the only operator on this sector.

4 Commission's consideration

4.1 Qantas 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. Qantas 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 Qantas the 888 seats of capacity per week it has sought.

4.2 Qantas has sought capacity on the basis that it may be utilised by Qantas or another Australian carrier which is a wholly-owned subsidiary of Qantas. The Commission has previously allocated capacity to Qantas to be used by Jetstar, a wholly-owned subsidiary of Qantas, on a number of routes. While Qantas has not indicated any plans for this capacity to be utilised by Jetstar the Commission will facilitate the flexibility sought by Qantas consistent with the approach in previous cases. The Commission will also authorise the use of the capacity in joint services between Qantas and a wholly-owned subsidiary, as sought by Qantas.

4.3 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 [2009] IASC 216, which authorised continued code sharing between Qantas and Air Niugini until 31 December 2012. Air Niugini has been the principal operator on the route, flying from Port Moresby to Cairns, Brisbane and Sydney, with Qantas code sharing on these services but not operating services in its own right. The Australia – Papua New Guinea route has, however, seen some increased competition in recent years with Pacific Blue Australia and Airlines of PNG entering the market. It is likely that the introduction of Qantas operating services in its own right on the Cairns – Port Moresby sector, following the allocation of capacity under this determination, will result in a further increase of competition on the route.

4.4 The Commission notes that Qantas proposes to fully utilise the capacity by 31 December 2010. The Minister's policy statement allows the Commission discretion in specifying a time by which a carrier must fully utilise allocated capacity. Consistent with Qantas' plans, the Commission will require Qantas to fully use the capacity by the end 31 December 2010.

5 Determination allocating capacity on the Papua New Guinea route to Qantas ([2010] IASC 101)

5.1 The Commission, makes a determination in favour of Qantas, allocating 888 seats per week in each direction on the Papua New Guinea route under the Australia – Papua New Guinea air services arrangements.

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

5.3 The determination is subject to the following conditions:

- Qantas is required to fully utilise the capacity from no later than 31 December 2010, or from such other date approved by the Commission;
- the capacity may be utilised by Qantas or another Australian carrier which is a wholly-owned subsidiary of Qantas;
- 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;
- the capacity may be used to provide joint services with Qantas or any wholly-owned subsidiary of the Qantas Group;
- to the extent that the capacity is used to provide joint services on the route, Qantas and any wholly-owned subsidiary of Qantas must take all reasonable steps to ensure that passengers are informed of the carrier actually operating the flight at the time of the booking;
- 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: 24 March 2010

Philippa Stone
Member Presiding

Ian Smith
Member