



Australian Government

International Air Services Commission

RENEWAL DETERMINATION

Determination:	[2018] IASC 109
Renewal of:	[2014] IASC 108
The Route:	Papua New Guinea
The Applicant:	Virgin Australia Airlines (SE Asia) Pty Ltd (Virgin Australia) (ABN 79 097 892 389)
Public Register:	IASC/APP/201823

The Commission makes a fresh determination allocating to Virgin Australia 160 seats per week in each direction on the Papua New Guinea (PNG) route. The determination is valid for five years from 20 May 2019.

1 The application for renewal

1.1 On 20 May 2014, the Commission's delegate issued Determination [2014] IASC 108 (the Determination) allocating, in favour of Virgin Australia, 160 seats of capacity on the PNG route.

1.2 Section 17 of the *International Air Services Commission Act 1992* (the Act) requires the Commission to start its consideration of the renewal of a determination at least 12 months before the expiry of the Determination. The Determination is due to expire on 19 May 2019. In view of this, the Commission sent, on 9 May 2018, a letter to Virgin Australia inviting it to apply for renewal if it wished to renew the Determination.

1.3 Virgin Australia applied to the Commission on 15 May 2018 for a renewal of the Determination for a further five-year period from 20 May 2019.

1.4 As required by sections 12 and 17 of the Act, the Commission published a notice on its website inviting other applications for the capacity. No other applications were received.

1.5 All non-confidential material supplied by Virgin Australia is available on the Commission's website (www.iasc.gov.au).

2 Relevant provisions of the air services arrangements

2.1 Paragraph 7(2)(aa) of the Act provides that the Commission must not allocate available capacity contrary to any restrictions on capacity contained in a bilateral arrangement(s) (paragraph 7(2)(aa) of the Act). Any variation made to an existing allocation of capacity should also not be contrary to any restrictions on capacity contained in a bilateral arrangement(s).

2.2 The Australia – PNG air services arrangements allow multiple designation of Australian airlines to operate on the PNG route. The Register of Available Capacity indicates there are 400 seats of capacity available for immediate allocation on this route.

3 Commission's consideration

3.1 Section 8 of the Act provides that the Commission may, at any time while a determination is in force, make a fresh determination allocating the capacity to which the original determination relates. The fresh determination must make the same allocation of capacity as the original determination unless the Commission is satisfied that the allocation is no longer of benefit to the public. In assessing the benefit to the public of an allocation of capacity, the Commission must apply the criteria set out for that purpose in the policy statement made by the Minister under section 11 of the Act.

3.2 On 20 March 2018, the Hon. Michael McCormack MP, Deputy Prime Minister and Minister for Infrastructure and Transport, issued the International Air Services Commission Policy Statement 2018 (the Policy Statement), which came into effect on 28 March 2018.

3.3 Section 7 of the Policy Statement explains that, in assessing the benefit to the public of an allocation of capacity when deciding to renew a determination, the Commission is to have regard to the 'reasonable capability criterion' in section 8 and the additional criteria in section 9, when circumstances so warrant under Division 3 of Part 3 of the Policy Statement

3.4 Under section 14(2) of the Policy Statement, there is a presumption in favour of the carrier seeking a renewal which may be rebutted only if the carrier has failed to service the route effectively; and there other applications for some or all of the capacity; and the Commission is satisfied that a different allocation of capacity would be of greater benefit to the public, having regard to the criteria set out in sections 8 and 9 of the Policy Statement.

3.5 In its application, Virgin Australia states that the airline continues to operate services to PNG utilising capacity allocated under the Determination.

3.6 The Commission does not have information that Virgin Australia has failed to service the route effectively. Additionally, there is no other carrier applying for the capacity.

3.7 Section 7 of the Policy Statement explains that, in assessing the benefit to the public of an allocation of capacity when deciding to renew a determination, the

Commission is to have regard to the ‘reasonable capability criterion’ in section 8 and the additional criteria in section 9, when circumstances so warrant under Division 3 of Part 3 of the Policy Statement.

3.8 Under section 14 of the Policy Statement, there is a presumption in favour of the carrier seeking a renewal which may be rebutted only if the carrier has failed to service the route effectively; and there are other applications for some or all of the capacity; and the Commission is satisfied that a different allocation of capacity would be of greater benefit to the public, having regard to the criteria set out in sections 8 and 9 of the Policy Statement.

3.9 The Commission does not have information that Virgin Australia has failed to service the PNG route effectively. In its application, Virgin Australia states that the airline continues to operate services to PNG utilising capacity allocated under the Determination. Additionally, there is no other carrier applying for the capacity. For this reason, the Commission has decided to apply section 8 of the Policy Statement and did not find it necessary to apply the additional criteria in section 9

3.10 Under the ‘reasonable capability criterion’ in section 8 of the Policy Statement, in assessing the public benefit of an application, the Commission is to have regard to the extent to which all Australian carriers that are, or would be, permitted to use the capacity allocated under a determination are reasonably capable of: (a) obtaining any licences, permits or other approvals required to operate on and service the route to which the determination relates; and (b) using the capacity allocated under the determination.

3.11 Virgin Australia is an established carrier operating scheduled international air services and the Commission finds it is reasonably capable of obtaining any licences, permits or other approvals required to operate on and service the PNG route and of using the capacity allocated under the determination.

3.12 In these circumstances, the Commission is satisfied that allocating 160 seats per week of capacity to Virgin Australia is of benefit to the public.

3.13 This determination is made without prejudicing, in any way, possible future consideration of code share operations by the ACCC.

4 Determination for renewal of [2014] IASC 108 allocating capacity on the Papua New Guinea route to Virgin Australia ([2018] IASC 109)

4.1 The Commission allocates to Virgin Australia, pursuant to section 8 of the Act, 160 seats per week in each direction on the PNG route in accordance with the terms of the Australia – PNG air services arrangements.

4.2 The determination is valid for five years from 20 May 2019.

4.3 The determination is subject to the following conditions:

- Virgin Australia is required to fully utilise the capacity by no later than 30 June 2019, or from such other date approved by the Commission;
- only Virgin Australia is permitted to use the capacity;
- Virgin 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;
- Nothing in this determination exempts the airline from complying with the Australian Consumer Law;
- changes in relation to the ownership and control of Virgin Australia are permitted except to the extent that any change:
 - results in the designation of the airline as an Australian carrier under the Australia – PNG 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 Virgin Australia or be in a position to exercise effective control of Virgin Australia, without the prior consent of the Commission.

Dated: 15 June 2018



IAN DOUGLAS
Chairperson



JAN HARRIS
Commissioner



KAREN GOSLING
Commissioner