



**Australian Government**

**International Air Services Commission**

ANNUAL REPORT

2008–09



International Air Services Commission





**Australian Government**  
**International Air Services Commission**

The Hon Anthony Albanese MP  
Minister for Infrastructure, Transport, Regional Development  
and Local Government  
Parliament House  
CANBERRA ACT 2600

Dear Minister

We are pleased to submit the seventeenth Annual Report of the International Air Services Commission, for the year ended 30 June 2009.

Our report is submitted to you in accordance with subsection 53(1) of the *International Air Services Commission Act 1992* and is for presentation to each House of the Parliament in accordance with subsection 53(2) of the *International Air Services Commission Act 1992*.

Yours sincerely

Handwritten signature of John Martin.  
John Martin  
ChairmanHandwritten signature of Philippa Stone.  
Philippa Stone  
CommissionerHandwritten signature of Ian Smith.  
Ian Smith  
Commissioner

28 September 2009

The International Air Services Commission is an independent statutory authority, established under the *International Air Services Commission Act 1992*. The Commission is comprised of a Chairperson and two members. It allocates capacity available under Australia's air services arrangements with other countries to existing and prospective Australian international airlines by making formal determinations. Applications are assessed against public benefit criteria set out in a policy statement issued to the Commission by the Minister for Infrastructure, Transport, Regional Development and Local Government.

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# PART 1

## Review by Chairman

I am pleased to provide an overview of the Commission's work for 2008–09. The Commission's activities during much of this year were set against the background of the weak world economic environment. The fortunes of the airline industry are closely linked to the strength of economic activity, so it was no surprise that the economic downturn has had serious adverse financial effects on airlines around the world.

Australia's airlines have not been immune from this situation. They have endeavoured in various ways to manage the effects of declining demand and falling revenue yields. Unfortunately, some smaller Australian carriers such as Sky Air World exited international markets during the year.

Despite the economic downturn there was considerable work for the Commission. There were surprisingly many applications to expand capacity, considerably outweighing requests to reduce capacity on some routes. Proposals by airlines to code share continued to be an important aspect of the Commission's work. Several of these arrangements raised significant public benefit issues, requiring substantial analysis by the Commission before arriving at its decisions.

A highlight of the year was the entry of V Australia into international markets. This is the first new long-haul Australian airline outside of the Qantas Group since the collapse of Ansett in 2001. V Australia operated its inaugural B777-300 service between Sydney and Los Angeles on 27 February 2009, taking advantage of capacity allocated by the Commission last financial year. The airline began operating three times per week, expanding quickly to a daily service. In April 2009, V Australia added direct services between Brisbane and Los Angeles three times per week. Air fares on the US route have fallen sharply from the levels prior to V Australia's entry, bringing benefits to consumers and helping to stimulate this market in difficult economic times.

The Commission facilitated expansion of V Australia's network by allocating the airline five frequencies per week for services to South Africa. V Australia planned to start flying between Sydney and Johannesburg in October 2009, but subsequently has advised that services will now commence in early 2010. The Commission also granted Qantas two new weekly frequencies on the South Africa route, bringing that airline's total entitlement to seven services per week.

V Australia's entry and new services by Qantas should mean a more competitive environment on the South Africa route, which has for some years seen high fares and load factors. These issues were highlighted in the Commission's in-depth assessment during the year of Qantas' proposal to continue code sharing with South African Airways (SAA). This code sharing has been kept under close scrutiny by the Commission because of its concerns that the arrangement was doing little to foster competition on the route. The prospective entry of V Australia and the additional capacity available to Qantas were important factors in the Commission's decision to allow the Qantas-SAA code share arrangement to continue to the end of 2010.

The Indonesia route saw substantial allocations of capacity by the Commission to both Qantas and Pacific Blue Australia, V Australia's sister airline. Over 4,300 seats per week were allocated to Pacific Blue Australia for services to or beyond Indonesia. More than 1,400 seats per week were allocated to Qantas.

Another important allocation to Pacific Blue Australia was made on the Papua New Guinea route. The 900 seats per week granted to the airline enable it to operate up to five B737-800 aircraft services weekly. Pacific Blue Australia's entry onto the Papua New Guinea route has brought substantial competition for Qantas and Air Niugini, the major established operators in this market. After appropriate assessment, the Commission also authorised Pacific Blue Australia to code share with Airlines of PNG. The Commission made several other determinations in favour of Pacific Blue Australia, to enable it to continue expanding services to island nations in the south-west Pacific region.

In the area of pure cargo services, the Commission allocated to Qantas cargo capacity on the Thailand and Vietnam routes.

The Commission approved applications from several airlines to reduce capacity on a number of routes, in response to the effects of the global economic slowdown. Some determinations were revoked, and others varied to hand back some of the capacity allocated originally.

The economic environment of recent times is one of the most challenging in the history of world aviation. The profitability of the Australian aviation industry has declined accordingly and there have been some failures of smaller airlines. However, our industry has demonstrated on many occasions its ability to recover from difficult operating circumstances. We are optimistic this will again be the case, and the Commission undertakes to continue responding quickly and flexibly to applications from airlines as they manage their way through an evolving situation.

On the administrative front, the Commission revised and updated its client service charter. The new charter covers the period 2009–2011 and is reproduced at Appendix 8. The Commission takes seriously the quality of its decision-making and the related services it provides to its stakeholders and interested parties. An important contributor to the achievement of high quality outcomes is the ongoing independence of the Commission in carrying out its role.

In concluding, together with Commissioners Philippa Stone and Ian Smith, I thank the members of the Commission's small secretariat for their efficient and professional analysis, advice and practical assistance throughout the year. We again look forward to challenging times in the year ahead.



**John Martin**  
Chairman



# PART 2

## Overview of the International Air Services Commission

### The role and functions of the Commission

The Commission is an independent statutory authority established under the *International Air Services Act 1992* (the Act). The object of the Act is to enhance the welfare of Australians by promoting economic efficiency through competition in the provision of international air services, resulting in:

- increased responsiveness by airlines to the needs of consumers, including an increased range of choices and benefits;
- growth in Australian tourism and trade; and
- the maintenance of Australian carriers capable of competing effectively with airlines of foreign countries.

The Commission's primary responsibility is to serve the object of the Act by allocating capacity entitlements to Australian airlines for the operation of international airline services. The capacity allocated by the Commission comes from entitlements available to be used by Australia's international airlines under air services arrangements between Australia and other countries. In particular, the functions of the Commission are to:

- make determinations allocating capacity and to renew those determinations;
- conduct reviews of determinations; and
- provide advice to the Minister about any matter referred to the Commission by the Minister concerning international air operations.

The Act is complemented by a policy statement from the Minister, which instructs the Commission about the way in which it is to perform its functions. It sets out criteria to be applied by the Commission in various circumstances. For example, more complex public benefit criteria may be applied in cases where there are two carriers seeking the same limited amount of capacity, compared with an uncontested application from a well-established airline. The policy statement is a disallowable instrument under section 11 of the Act. It is reproduced at Appendix 7.



Determinations allocating capacity are usually made for a period of five years for routes where capacity or route entitlements are restricted. In cases where capacity entitlements and route rights are unrestricted, determinations may be issued for a period of ten years. In either case, the Commission has the discretion to make interim determinations, which are for a period of three years. If an applicant requests that a determination be made for a shorter period, the Commission has the option to agree to this.

Carriers normally wish to renew determinations as they come towards their expiry date. The Commission is required to start reviews of these determinations at least one year before they expire. Except for interim determinations, there is a presumption in favour of the carrier seeking renewal that the determination will be renewed as sought.

From time to time, airlines apply to the Commission to vary determinations held by them. There can be a number of reasons for an airline to seek a variation. For example, the airline may be seeking authorisation to use allocated capacity to code share with another airline. The Commission conducts a review in response to such requests. In most situations, the Commission invites submissions from interested parties about the application. If the Commission agrees to a variation request, it makes a decision which varies the determination in the way sought by the applicant. The Commission may itself initiate a review of a determination if it is concerned that a carrier might be in breach of a condition of the determination. This could occur, for example, where a carrier had been allocated capacity, but had not used it beyond the time by which it was required to do so by the Commission. Having conducted such a review, the Commission may confirm, vary, suspend or revoke the determination.

The Commission has published procedures it follows in considering applications and making determinations. A summary of these procedures is at Appendix 6. The procedures are designed with the aim of ensuring that applicants and other interested parties understand the requirements for making applications or submissions, are familiar with the Commission's decision-making processes, and are aware of their rights and obligations.

## Executive profile

The Commission comprises a part-time chairman and two part-time members. The membership of the Commission at 30 June 2009 was as follows:

### Mr John Martin



Mr John Martin, Chairman (appointed in November 2003 for a three-year term ending in November 2006, and reappointed for a further three year term ending in November 2009). Mr Martin is the director of a consulting company advising business and government on competition and other regulatory and strategic issues. Mr Martin is also a director of the Accreditation Board of Standards Development.

Until June 2009, Mr Martin was for ten years a Commissioner with the Australian Competition and Consumer Commission (ACCC) where he had special responsibility for matters relating to small business and was Chairman of the Commission’s Regulated Access and Price Monitoring Committee. Mr Martin was Executive Director of the Australian Chamber of Commerce and Industry from 1989 until his appointment to the ACCC in June 1999. Previously Mr Martin had policy management roles in the Commonwealth Treasury and Industry Department and was for several years a regional industrial consultant with the United Nations based in South East Asia. Mr Martin has an Economics degree from the ANU.

### Ms Philippa Stone



Ms Philippa Stone, Member (appointed in July 2007 for a three-year term ending in July 2010) is a partner in international legal firm Freehills, specialising in equity raisings, mergers and acquisitions and listed company reconstruction. She has been involved in a number of Australia’s largest equity raisings and landmark privatisations and financial services sector acquisitions over the past twenty years, and heads Freehills’ Equity Capital Markets Group. Ms Stone advised the Commonwealth Government on the sale of Sydney Airport and acted

on airport transactions involving the Northern Territory, Adelaide, Townsville, Mt Isa, Bankstown, Camden, Hoxton Park and Hobart airports. She is a member of the Australian Stock Exchange’s Appeals Tribunal.



**Mr Ian Smith**



Mr Ian W Smith, Member (appointed in November 2007 for a three-year term ending in November 2010). Mr Smith has an extensive background in aviation and commerce particularly in the last twenty-five years in aviation insurance broking where he has held Managing Director roles with several international aviation brokers. He has experience as a Company Director, currently being the Chairman of Aerospace Maritime and Defence Foundation of Australia, and Chairman of Aviation Development Australia Limited (ADAL), with ADAL running the Australian International Airshow. Also, Mr Smith is a Board Member of Aviation Australia Ltd, Maritime Australia Ltd, and the Regional Aviation Association of Australia. He has also been a consultant to the Department of Defence on aviation insurance matters.

**Commissioners’ attendance at meetings in 2008–09**

Commissioner	Number of meetings possible	Number of meetings attended
Mr Martin	7	7
Ms Stone	7	7
Mr Smith	7	6

### The secretariat

The Commission is assisted in its work by a small secretariat. The secretariat is staffed by officers of the Department of Infrastructure, Transport, Regional Development and Local Government (the Department). The secretariat is headed by an executive director, supported by a senior adviser and an office manager. These officers provide advice and assistance to the Commissioners on all aspects of the Commission's operations.



From left:  
**Ian Smith** Member  
**Philippa Stone** Member  
**Anita Robinson** Office Manager  
**Dilip Mathew** Senior Adviser  
**Michael Bird** Executive Director  
**John Martin** Chairman

## Communications with interested parties

There are many parties with a direct or indirect interest in what the Commission does. They include:

- the Minister for Infrastructure, Transport, Regional Development and Local Government;
- current and prospective Australian international airlines;
- the broader aviation industry, including airport owners, providers of services to airlines, and employee associations;
- the international tourism and freight industries, including Australian exporters;
- Australian and State Government departments and agencies;
- aviation industry investors, analysts and journalists; and
- the travelling public.

The Commission places great importance on maintaining effective relationships with these parties. Account is taken of their views and/or interests in the Commission's decision-making processes, as appropriate to particular cases. Regular electronic notification of applications and the Commission's determinations and decisions keeps interested parties up to date with the Commission's activities. At the conclusion of each financial year, the Commission invites feedback about the Commission's performance throughout the year. The aggregated results of responses to the survey this year are presented in this annual report.



## The role of the Department of Infrastructure, Transport, Regional Development and Local Government (the Department)

The Commission works closely with the Department, which has complementary responsibilities to those of the Commission. The Department is responsible for the negotiation and administration of air services arrangements between Australia and other countries. An important part of the negotiating process is to settle opportunities for the airlines of Australia to serve agreed routes using agreed capacity entitlements, in return for reciprocal opportunities for airlines of the other party or parties to the agreement.

The capacity and route entitlements for Australian carriers under each set of air services arrangements are recorded by the Department in a Register of Available Capacity. This is maintained by the Department, in accordance with the requirements of the Act. The capacity recorded on the register under the various agreements may be sought by airlines by applying to the Commission for an allocation of capacity. The entitlements on the Register of Available Capacity are adjusted as determinations allocating capacity are made by the Commission, when unused capacity is handed back by airlines, or when the Department negotiates new or revised capacity entitlements on behalf of the Australian Government. There is regular communication between the Department and the Commission on these matters.

Another very important area where the roles of the Commission and the Department intersect is in relation to applications from prospective new Australian airlines wishing to operate international services. Before allocating capacity to an applicant airline, the Commission must be satisfied that the airline is both reasonably capable of obtaining the approvals necessary to operate and of implementing its proposals. The Department is responsible for designating and licensing Australian airlines to operate regular scheduled international services. This role is relevant to the Commission’s decision-making about whether a carrier is capable of obtaining the approvals necessary to operate. Similarly, a carrier must hold an allocation of capacity from the Commission before it can be licensed. The Commission and the Department therefore consult closely in cases involving prospective new applicants.

# PART 3

## Report on Performance

### Overview of the Commission’s performance

The Commission’s performance assessment has been made against three sets of broad criteria which together cover all aspects of its operations. These criteria relate to how well the Commission has served the object of the Act, whether it has been fair and effective in dealing with applicants and interested parties, and the effectiveness of its use of financial resources.

The Commission has adopted an extensive set of performance criteria within its client service charter. The charter was updated in early 2009 after consultation with stakeholders and a copy of the new charter is at Appendix 8. A number of criteria from the previous charter were refined. These criteria provide a transparent set of standards by which the Commission’s performance is able to be judged. In addition, the Commission assesses itself about how well it has met the requirements of the Act in its decision making.

### Results against performance targets

#### Serving the object of the Act

In the Commission’s view, its most important task is to serve effectively the object of the Act. This is achieved when the Commission makes its determinations and decisions according to the requirements of the Act and the policy statement given to it by the Minister. All of the determinations and decisions this year were made consistent with these requirements. There were no concerns raised with the Commission by any interested parties.

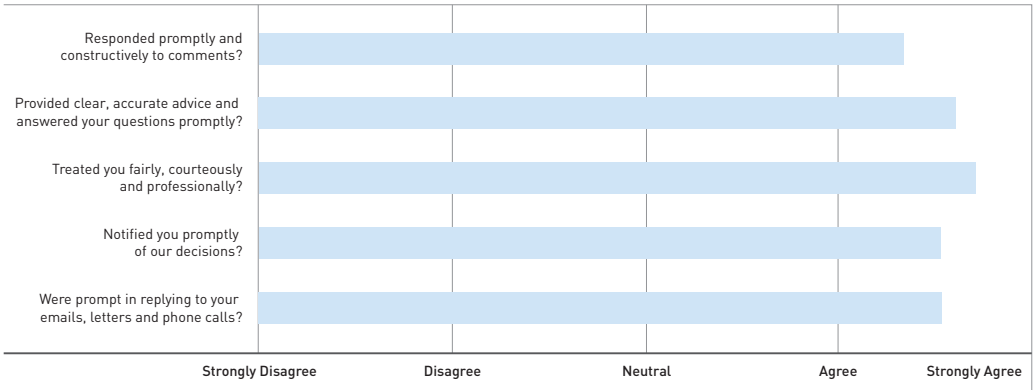
The Commission continues to delegate some of its decision-making powers to senior secretariat staff. In practice, this is usually the Executive Director, but can also include the Senior Adviser. Only the more straightforward cases are dealt with by the delegate. The delegate consults with Commissioners in each case to decide whether an application will be dealt with by the Commission or delegate. Draft delegate determinations and determinations are also cleared with Commissioners before finalisation. These arrangements continue to work smoothly and have been well accepted by industry. For the year, 26 of the 53 determinations and decisions produced were made by the delegate. This is of the same order as in previous years.

Serving applicants and interested parties – performance against service charter

The commitments the Commission makes in its service charter are the basis for assessing its service delivery performance. The Commission’s service undertakings cover the ways in which the Commission wants to deal with those who interact with it, as well as the manner in which the Commission aims to make its decisions. The Commission takes very seriously its undertakings to clients and interested parties.

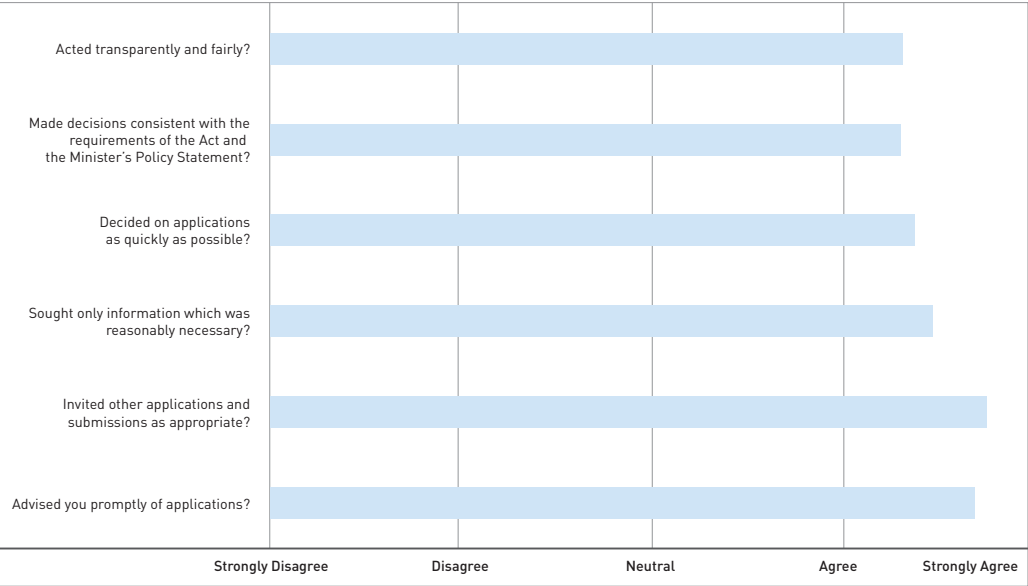
Each year, the Commission gives its clients the opportunity to comment on the Commission’s performance against these service undertakings. Clients are invited to complete a brief electronic questionnaire. The questions relate directly to the service charter commitments. Responses to the questionnaire are able to be submitted anonymously, although some respondents prefer to disclose their identity. The Commission is pleased to report that there were over twenty responses to the survey and the feedback was positive. This indicates that clients are satisfied with the Commission’s performance. The Commissioners are very appreciative of those people who took the time to provide feedback about the Commission’s performance. The responses are very helpful in guiding the Commission about how it can improve its performance where necessary. Aggregate ratings against each criterion are set out in the following two charts, which cover responses concerning questions about the Commission’s dealings with its stakeholders and its decision-making process.

Dealings with stakeholders – Do you agree that we:





Decision-making process – Do you agree that we:



The Commission maintains data about its performance in the important area of the timeliness of its decision making. This is in addition to client feedback. The Commission has two benchmarks which reflect the fact that more complex applications typically require a considerably longer period of assessment than straightforward cases. The first benchmark is to decide on uncontested and unopposed applications within four weeks of receiving an application. These cases involve a single applicant with no submissions opposing the granting of the application. They are usually straightforward. However, if the applicant is a prospective new operator, additional time is usually required. There were no new airline applications this year.

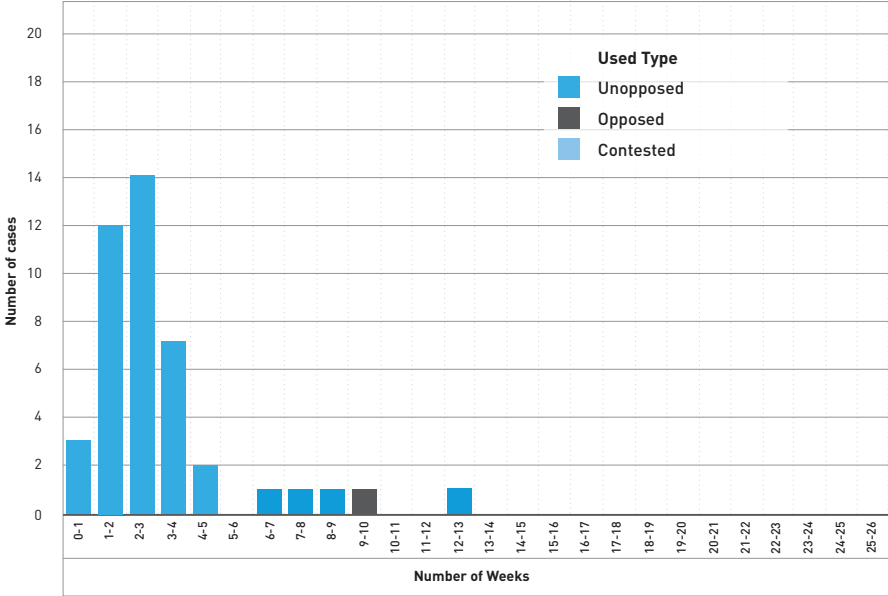
The average time taken to make decisions in uncontested and unopposed applications was 3.0 weeks, bettering the four-week benchmark. This result compares with an average time of 3.2 weeks in 2007–08.

Six of the 52 cases in this category took longer to decide than the four week benchmark. One exceeded 12 weeks. The delay in this case was due to the applicant taking considerable time to provide additional information sought by the Commission, delaying finalisation of the case.

For contested or opposed applications, the Commission aims to publish determinations or decisions within twelve weeks from the date of application. There was one application in this category this year, which took a little over nine weeks to decide. This was an application from Qantas to continue code sharing with South African Airways on the South Africa route. A full discussion of this case is set out on page 15.

Detailed information about the Commission’s timeliness performance is contained in the following chart.

Distribution of decision times by type of case



Note: The chart does not include renewal determinations. These are initiated by the Commission on a time frame that suits airlines’ requirements.

The Commission also publishes details on the number of determinations and decisions made for the year. Although the Commission reports this information, it does not relate to any target. The Commission does not set a quantity performance target because the level of activity varies each year for reasons which have nothing to do with the Commission’s performance. The number of applications received from airlines is the main determinant of the Commission’s output. This in turn relates to the level of demand for air services, which is very sensitive to a whole range of factors, particularly the strength of the global economy. Economic growth is an important driver of the demand for travel to and from Australia. Airlines will seek more capacity from the Commission as demand rises. Airlines will also seek to amend determinations from time to time, such as to allow code sharing with other carriers. Another factor in Commission activity levels is the varying number of determinations due for renewal each year. From time to time new entrants seek to enter international markets as Australian designated carriers.

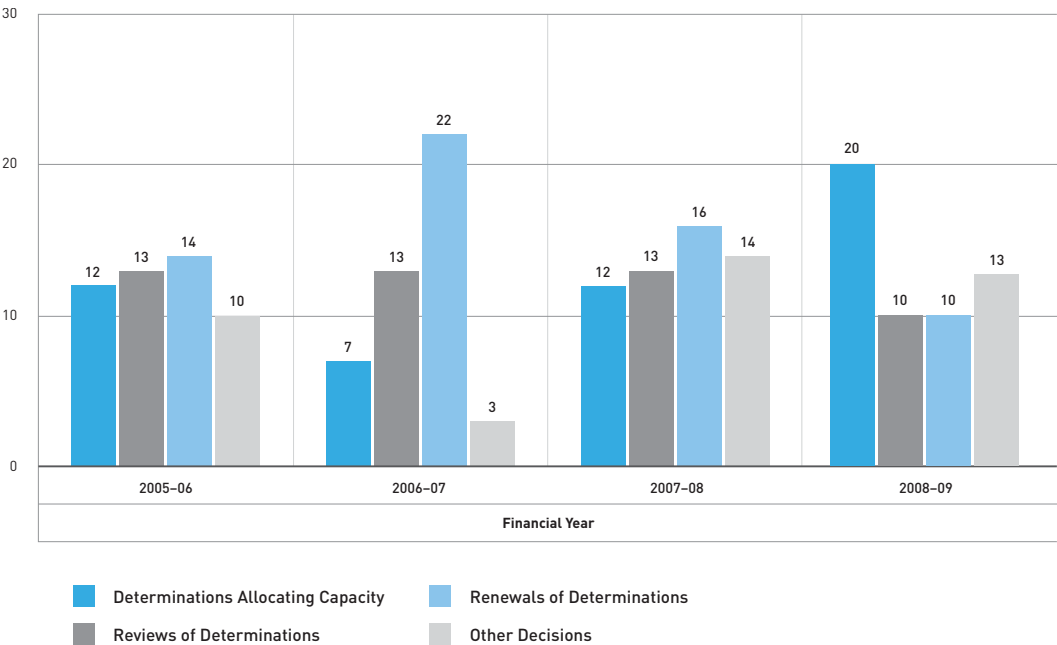
The following chart shows that a total of 53 determinations and decisions were made by the Commission and its delegate in 2008–09. The graph also sets out the numbers for the previous three years.

The most striking feature of this year’s results is the large number (20) of determinations allocating new capacity compared to last year, when there were 12 such determinations, and 2006–07 when there were seven. This year’s result is particularly surprising because it occurred against the background of the global financial and economic crisis. In addition, this year the Commission issued ten determinations renewing existing determinations. This was a low number compared with the previous three years but reflects the cycle of renewals rather than a cutting back of allocated capacity. On the other hand, 10 determinations were revoked during the year. The majority of these revocations were in response to falling demand.

There were ten decisions made after reviews of determinations, all in response to applications by airlines for the Commission to vary existing determinations. This number was slightly below those for the previous three years. Several of the decisions related to applications to code share.

A brief summary of all of the Commission’s determinations and decisions is at Appendix 1. More detailed descriptions of each case are contained in Appendix 2.

Historical numbers of determinations and decisions



Summary of expenditure

The Commission’s budget for the year was \$396,000. This allocation was provided from the resources of the Aviation and Airports Division of the Department of Infrastructure, Transport, Regional Development and Local Government (the Department). The Commission’s budget is directed primarily to the salary and training costs of secretariat staff, Commissioners’ fees, travel, annual report production and general office needs. Most corporate overheads and property operating expenditure continued to be paid for by the Department, as the Commission’s offices are located in departmental buildings.

Expenditure was also made on newspaper advertising of applications for capacity and variations to determinations, until the Commission decided during the year that electronic notifications alone were a sufficient and more cost-effective method of advertising. The expected annual saving from this initiative is about \$20,000. Stakeholders were consulted about the proposal to end newspaper advertising, and were supportive of the initiative.

Total expenditure for 2008–09 was about \$452,000 or around \$56,000 more than budget. The Commission considers its expenditure was made efficiently and effectively despite the budget allocation being exceeded by a modest amount. The Commission was supported by a secretariat comprising an average of about 2.5 equivalent full-time staff, compared with 2.1 full time equivalent staff last year.

Part 5 contains more details about the Commission’s financial performance.



From left:  
**Philippa Stone** Member  
(front) **John Martin** Chairman  
**Ian Smith** Member

# Case study – the South Africa route

## Introduction

Each year in its annual report the Commission features a case of particular interest. This year the focus is on a review of code sharing by Qantas with South African Airways on the South Africa route. The Commission provided a detailed account of its previous review of these code share arrangements in its annual report two years ago but significant changes have occurred since that time. These changes presented the Commission with a different regulatory and competitive landscape against which to consider the latest proposal by Qantas to continue its code share with South Africa Airways.

## The application

Qantas applied in early October 2008 for authorisation to continue code sharing with South African Airways (SAA) on services the two airlines operate between Australia and South Africa. The Commission’s previous approval was due to expire at the end of 2008.

The Commission decided to subject the application to detailed consideration. This was because it continued to be concerned about the level of public benefits associated with this code share agreement. These concerns had persisted since the time when Qantas and SAA changed the way they serve the South Africa route. In earlier times, both airlines operated between Sydney and Johannesburg via Perth, providing both Australian cities with a high level of frequency and competition. Under the code share arrangements, the way the two Australia cities were served was altered. Qantas flies only between Sydney and Johannesburg, while SAA serves only the Perth–Johannesburg sector. Each airline buys blocks of seats on the services of the other. This means that the two airlines can continue to participate in the sale of seats on both sectors, while only needing to operate on one sector.

In its application, Qantas pointed to the increased opportunities available from June 2008 under the air services arrangements between Australia and South Africa. Available weekly frequencies had risen from five to ten at that time, increasing to 14 flights per week in October 2009. There was a further rise in entitlements to 21 frequencies per week from October 2010. As a result, Qantas planned to start a sixth weekly service in December 2008 and a seventh service in 2009, subject to the delivery of A380 aircraft which would free-up B747s to operate the extra services to South Africa. Until these changes occurred, Qantas was limited to operating the five weekly frequencies available. Qantas said that continued approval of the code share arrangements would help Qantas and SAA to maintain an increased level of services over the medium term. This might not otherwise be possible given the global economic slowdown and the proposed commencement of services on the route by V Australia from October 2009. Qantas said its extra services would mean improved choice and convenience for passengers, particularly business travellers and passengers connecting to or from other ports.

Qantas identified a number of other specific benefits from the code share arrangements. These included increased choice and price competition with both Qantas and SAA participating in both the Perth and Sydney markets.

**Submissions**

The Australian Competition and Consumer Commission (ACCC) welcomed the increase in available capacity and the prospect of a new entrant in V Australia. However, the ACCC continued to have concerns about the extent of competition on the route, noting that the only competition was from third-country carriers, all with longer travelling times via indirect points. The ACCC considered that the code share arrangements reduced price and service competition incentives on Qantas and SAA.

In response to the ACCC, Qantas argued that the code share carriers did have an incentive to compete on price. Qantas submitted that the ACCC inadequately recognised the role of the indirect operators in providing competition for Qantas and SAA.

**The Commission’s assessment**

At its previous review one year earlier, the Commission had expressed serious concerns about the public benefit impacts of the code share, with a lack of competition evidenced in continuing high air fares and load factors. However, a contributing factor to this situation was the lack of capacity available so that no more services could be added even though demand had grown strongly. The Commission found that, because capacity entitlements remained constrained, removing code share approval may actually create an even less competitive situation. There was a risk that separate monopolies could form, with SAA serving Perth only and Qantas serving Sydney only. The Commission saw the only resolution of this undesirable situation as the expansion of capacity entitlements available under the air services arrangements.

In the intervening period since that earlier review, the Commission found that there had continued to be poor outcomes for travellers on the routes. Load factors had continued to rise and air fares remained high. However, also during this period, the regulatory and competitive landscape had changed dramatically. New capacity entitlements were negotiated and these additional entitlements were sought quickly by Qantas and V Australia. Qantas received an allocation from the Commission of an additional two weekly frequencies, which it planned to add from late 2008 and mid-2009 respectively. V Australia was allocated five weekly frequencies which it proposed to operate from October 2009 with B777-300ER aircraft. Following these allocations, two weekly frequencies remained available to Australian carriers from October 2009. An additional seven weekly frequencies were able to be operated from October 2010.

The Commission considered that the additional services to be operated by Qantas, and especially the entry of V Australia with daily flights, would transform the competitive dynamics of the route, leading to a major increase in public benefits. However, the Commission’s task was to assess

whether there would be any lessening of public benefits by allowing continued code sharing by Qantas and SAA in the two year period of authorisation sought by Qantas.

The likely competitive responses of Qantas and SAA if they were no longer able to code share were considered by the Commission. Options evaluated were for Qantas and/or SAA to add services to Perth and Sydney respectively, either through new discrete services or by operating Sydney–Perth–Johannesburg. The Commission thought it unlikely that SAA would operate to Sydney in competition with Qantas and V Australia which would be operating up to a combined 12 services per week, compared with the five per week then being operated by Qantas alone. Retention of the right to code share would maintain SAA’s participation in the Sydney market, providing competition for Qantas and V Australia.

The Commission also considered it unlikely that Qantas would enter the Perth market in its own right, at least until October 2010 when more capacity was available to Australian carriers. This was because Qantas would have to divert capacity from Sydney to serve Perth discretely, or operate its Sydney services via Perth. This seemed unlikely because V Australia would then have a competitive advantage with its direct services on the Sydney–Johannesburg sector. Continued code sharing would therefore maintain Qantas’ presence in the Perth market. A wider set of competitive options would not open up until October 2010 when more capacity was available to Australian carriers, particularly in relation to improved outcomes for Perth and/or other Australian cities which might be served. This was at the outer end of the period of authorisation sought by Qantas.

In concluding, the Commission found that public benefits associated with the code share had continued to be poor, associated particularly with constrained capacity which prevented any carriers adding services. The Commission indicated that it would almost certainly not have approved continued code sharing if there had not been the prospect of a new entrant, as was now the case with V Australia. However, the outlook was now for a more competitive situation to develop over time.

The Commission decided that there was likely to be no lessening of public benefits from allowing the code share to continue for a further two years. This was mainly because it would enable SAA to continue participating in the Sydney market, whereas it might not enter that market in its own right in the absence of code sharing authority. Qantas would also have a presence in the Perth market through the code share. The continued presence of Qantas in the Perth market, with its marketing support for SAA’s services, might also encourage SAA to add frequencies over time.

The Commission’s full determination in this case is available from its website, [www.iasc.gov.au](http://www.iasc.gov.au).



## Significant developments post-30 June 2009

There were no significant developments after 30 June 2009.

## Outlook for the industry

When looking forward in last year's annual report, the Commission stated that the high world price of oil was the dominant concern for the world's airlines, including Australia's carriers. As events unfolded over subsequent months, the rapid development of the global financial and economic crisis had severe effects on the fortunes of the aviation industry, displacing concerns about oil prices. In fact the oil price fell dramatically with the economic downturn but the resulting reduction in airline costs was nowhere near enough to counter falling demand for airline travel.

Airlines' problems were compounded by declining revenue yields as they discounted air fares in an effort to shore up passenger loads. Demand for carriage of freight fell sharply also, as the economic downturn affected trade. Despite efforts by carriers to reduce costs, such as through reduced operating capacity and staff cutbacks, a considerable number of airlines around the world failed. Many others are in financial trouble. Unfortunately, some smaller Australian airlines have been casualties over the past year.

Volatility for the world aviation industry continues. The Commission can only speculate about the outlook for the industry in the light of the most difficult operating circumstances for many years. It is safe to say that recovery in the world economic environment is a pre-condition to improving fortunes for the aviation industry. Governments around the world have made and continue to make co-ordinated efforts to strengthen their economies. Hopefully the efficiencies made by surviving airlines will stand them in good stead as economies recover.

Australia's airlines have continued to engage with the Commission over the past year, with expansion of capacity entitlements on several routes and only a modest level of capacity reductions. This suggests that Australian carriers will be quick to develop operations as the outlook improves. The Australian aviation industry has proved to be resilient in the face of difficult challenges over many years and doubtless will be so on this occasion.



# PART 4

## Management and accountability

### Corporate governance practices

The Commission is a small organisation and does not require the more complex corporate governance structures of larger bodies such as Government departments. The Commission's arrangements are appropriate for its small scale and budget, and consistent with its role and responsibilities. The governance arrangements have two parts. The first covers the Commission's statutory responsibilities under the *International Air Services Commission Act 1992* (the Act). The second part of the governance structure relates to the staffing of the Commission's secretariat and expenditure of the Commission's funds.

Part 4 of the Act sets out procedures the Commission is to comply with. The Commission complies fully with these requirements. In practical terms, the most significant of the requirements relates to the holding of meetings. The Commission conducts most of its meetings at its offices in Canberra. On some occasions, usually when less complex issues are to be dealt with, Commissioners meet by teleconference or email. The use of electronic media for conducting meetings reduces travel costs which are normally associated with face-to-face meetings. The Commission ensures that a quorum of members is present at meetings and that decisions are made in accordance with the Act. Minutes are kept of the Commission's proceedings at all of its meetings.

During Commission meetings, staffing, financial and risk management issues are discussed by Commissioners including, as appropriate, with staff of the secretariat. Commissioners and secretariat officers maintain regular contact via email and telephone about matters requiring the Commission's attention in the periods between meetings.

Part 4 of the Act also provides for the Commission to hold hearings at its discretion. No hearings were held this year.

Part 5 of the Act relates to the membership of the Commission. Commissioners are appointed by the Governor-General after approval by Cabinet following its consideration of recommendations by the Minister for Infrastructure, Transport, Regional Development and Local Government (the Minister). The current period of appointments of Commission members is three years, although the Act provides for terms of appointment up to five years in duration. The Remuneration Tribunal determines members' remuneration pursuant to the *Remuneration Tribunal Act 1973*.

Section 47 of Part 5 requires members to disclose any interest that could conflict with the performance of their functions in relation to proceedings conducted by the Commission. Commissioners are fully aware of this obligation. One relatively minor potential conflict issue arose during the year with the relevant Commissioner disclosing this in advance and taking no part in deliberations about the matter.



Part 6, Section 53, of the Act requires the Commission to prepare and give to the Minister a report of its operations for the financial year. The Commissioners review drafts of the annual report during its preparation. The final report is cleared and signed off by them and provided to the Minister in accordance with the requirements of the Act. The report is tabled in both Houses of Parliament.

The second element of the Commission's corporate governance arrangements arises from the Commission's relationship with the Department of Infrastructure, Transport, Regional Development and Local Government (the Department). Secretariat staff members are officers of the Department. As such, they are subject to the same responsibilities and obligations applicable to all departmental staff. The Commission's executive director is responsible for the day to day management of the secretariat, in accordance with the Department's requirements. These arrangements ensure that there are appropriate controls over matters such as expenditure of Commission funds. Secretariat staff members are expected to adhere to the Australian Public Service's Values and Code of Conduct.

#### External scrutiny

There was no formal external scrutiny of the Commission this year and no determinations or decisions made by it were the subject of judicial or administrative review.

## Management of human resources

The average staffing level of the secretariat for the year was a little above the previous year, at 2.5 full-time equivalent people, compared with 2.1 in 2007–08. As at 30 June, the secretariat was comprised of two Executive Level 2 officers (both male, one full time and one part-time) and one APS 5 officer (female, part-time). As officers of the Department, secretariat staff members’ employment conditions are determined by the Department’s normal employment arrangements. However, as part of the arrangements to ensure independence of the Commission from the Department, secretariat staff members are responsible directly to the Commissioners in relation to Commission matters.

The Department has undertaken to make additional staffing resources available to the Commission if required due to fluctuating workload pressures. This cooperation provides assurance to the Commission that adequate support will be maintained to enable it to carry out its independent statutory functions effectively. It also assists to manage the risk associated with dependence on key individuals within the small secretariat.

Secretariat officers are subject to the Department’s human resource management policies and practices. These include performance management arrangements which include six-monthly discussions about work performance and professional development activities. The Commissioners assist the professional development of secretariat members, such as through encouraging participation in study, training courses and conferences. Staff members are involved in the Commission’s work through preparing briefing and agenda papers for meetings, engaging in discussion at meetings, and drafting determinations and decisions for consideration by Commissioners. As the work demands of the Commission’s activities allow, secretariat staff may also be involved in tasks within the Department, as part of the flexible working arrangements between the Commission and the Department. This was the case during the 2008–09 year.

## Assets management

Asset management is not a significant aspect of the business of the Commission.

## Purchasing

The Commission made no significant purchases during the year.

## Consultants and competitive tendering and contracting

The Commission did not engage any consultancy services.

# PART 5

## Financial report

### Financial report as at 30 June 2009

	(1)	(2)	(3)	(4)
	2008-09 Budget \$'000	2008-09 Actual \$'000	Variation (Column 2-1) \$'000	2009-10 Budget \$'000
Salaries	304	332	+28	199
Revenue	0	0	0	0
Supplier expenses	92	120	+28	143
<b>TOTAL</b>	<b>396</b>	<b>452</b>	<b>+56</b>	<b>342</b>
Staff years	2.9	2.5		1.6

#### *Explanatory notes*

The Commission's financial report is prepared on an accrual budgeting basis.

The Commission's budget is provided from funds allocated to the Aviation and Airports Division within the Department of Infrastructure, Transport, Regional Development and Local Government. The Commission's offices are in a departmental building.

# APPENDIX 1

## Determinations and decisions

This table summarises briefly the determinations and decisions issued during 2008–09. A full summary is at Appendix 2. Individual determinations and decisions may be viewed on the Commission’s website at [www.iasc.gov.au](http://www.iasc.gov.au).

Route	Airline	IASC Number	Date	Capacity Allocated	Comments
China	Qantas	[2008] IASC 121	08 Oct 08	2,135 seats per week	Renewal of [2004] IASC 101
China	Qantas	[2009] IASC 203	11 May 09	[835 seats each way per week to and from Sydney, Melbourne, Brisbane and Perth]	Revocation of [2007] IASC 103
Cook Islands	Pacific Blue	[2008] IASC 115	12 Sep 08	180 seats per week	Allocation of passenger capacity
Cook Islands	Pacific Blue	[2008] IASC 128	08 Oct 08	180 seats per week	Renewal of [2004] IASC 114
Fiji	Pacific Blue	[2008] IASC 112 d	01 Aug 08	360 seats per week on the specified routes to or from Sydney, Melbourne, Brisbane and/or Perth	Allocation of passenger capacity
Fiji	Pacific Blue	[2008] IASC 117 d	17 Sep 08	360 seats per week on the specified routes to or from Sydney, Melbourne, Brisbane and/or Perth	Allocation of passenger capacity
Fiji	Pacific Blue	[2008] IASC 129	08 Oct 08	1,260 seats per week on the specified routes to or from Sydney, Melbourne, Brisbane and/or Perth	Renewal of [2004] IASC 122
Hong Kong	Qantas	[2008] IASC 125	08 Oct 08	seven frequencies per week	Renewal of [2004] IASC 103
India	Qantas	[2008] IASC 122	08 Oct 08	1,175 seats per week	Renewal of [2004] IASC 104
Indonesia	Airnorth	[2009] IASC 205	11 May 09	[unrestricted capacity between points in Australia, except Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia]	Revocation of [2006] IASC 127
Indonesia	Ozjet	[2008] IASC 214 d	26 Aug 08	102 seats weekly between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Variation of [2008] IASC 101 to increase passenger capacity and to extend determination for a further twelve months
Indonesia	Pacific Blue	[2008] IASC 120	08 Oct 08	1,980 seats weekly between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity

Route	Airline	IASC Number	Date	Capacity Allocated	Comments
Indonesia	Pacific Blue	[2009] IASC 103 d	25 Feb 09	720 seats weekly between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity
Indonesia	Pacific Blue	[2009] IASC 105	11 May 09	1,080 seats weekly between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity
Indonesia	Pacific Blue	[2009] IASC 106 d	27 May 09	unrestricted capacity between points in Australia, except Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity
Indonesia	Pacific Blue	[2009] IASC 107 d	15 Jun 09	540 seats weekly beyond and three frequencies	Allocation of passenger capacity
Indonesia	Qantas	[2008] IASC 118 d	24 Sep 08	1,074 seats weekly between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity
Indonesia	Qantas	[2009] IASC 104 d	03 Apr 09	389 seats weekly beyond and four frequencies	Allocation of passenger capacity
Indonesia	Qantas	[2009] IASC 108 d	24 Jun 09	360 seats weekly between Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity
Indonesia	Sky Air World	[2009] IASC 102 d	22 Jan 09	unrestricted capacity between points in Australia, except Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia	Allocation of passenger capacity
Indonesia	Sky Air World	[2009] IASC 208 d	24 Jun 09	[unrestricted capacity between points in Australia, except Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia]	Revocation of [2009] IASC 102
Japan	Qantas	[2008] IASC 126	08 Oct 08	one B767-200 unit	Renewal of [2004] IASC 105
Japan	Qantas	[2008] IASC 127	08 Oct 08	three B767-200 units	Renewal of [2004] IASC 120
Japan	Qantas	[2008] IASC 215	12 Sep 08		Variation of [2006] IASC 117 to permit a wholly-owned subsidiary to utilise the capacity and to provide joint services with Qantas and Japan Airlines
Japan	Qantas	[2008] IASC 216	12 Sep 08		Variation of [2004] IASC 120, [2006] IASC 103 and [2006] IASC 124 to permit code sharing by Japan Airlines on Jetstar services until 31 December 2010

Route	Airline	IASC Number	Date	Capacity Allocated	Comments
Japan	Qantas	[2008] IASC 220	02 Dec 08	(13 B767-200 units)	Revocation of [2005] IASC 106, [2005] IASC 123, [2005] IASC 124, [2005] IASC 126, [2006] IASC 103 and [2006] IASC 113
Japan	Qantas	[2008] IASC 221	02 Dec 08	(1.8 B767-200 units)	Variation of [2008] IASC 124 to reduce the allocated capacity from 2.4 to 0.6 B767-200 units per week
Malaysia	Qantas	[2008] IASC 222	02 Dec 08	(909 seats per week)	Revocation of [2007] IASC 101
Nauru	Ozjet	[2008] IASC 224	02 Dec 08	(one frequency per week with any aircraft type not exceeding the capacity of B737 aircraft)	Revocation of [2008] IASC 106
New Zealand	Ozjet	[2008] IASC 223	02 Dec 08	(unlimited capacity to operate scheduled passenger services between Australia and New Zealand)	Revocation of [2008] IASC 102
New Zealand	Pacific Blue	[2009] IASC 201 d	28 Jan 09		Variation of [2007] IASC 118 to permit V Australia to code share on Pacific Blue services
New Zealand	Qantas	[2009] IASC 202 d	25 Mar 09		Variation of [2006] IASC 109 to permit Etihad Airways to code share on Qantas services
New Zealand	Tasman Cargo Airlines	[2008] IASC 219 d	18 Nov 08		Variation of [2005] IASC 120 by replacing all references to "Asian Express Airlines" in the determination with "Tasman Cargo Airlines"
Papua New Guinea	Pacific Blue	[2008] IASC 114	12 Sep 08	900 seats per week	Allocation of passenger capacity
Papua New Guinea	Pacific Blue	[2008] IASC 218	27 Oct 08		Variation of [2008] IASC 114 to permit Airlines of PNG to code share on Pacific Blue Australia services
Papua New Guinea	Qantas	[2009] IASC 204	11 May 09	(16.5 tonnes per week)	Variation of [2007] IASC 123 to reduce capacity allocated from 34 to 17.5 tonnes per week
Philippines	Qantas	[2008] IASC 123	08 Oct 08	129 seats per week	Renewal of [2004] IASC 106
Singapore	Qantas	[2009] IASC 206 d	27 May 09		Variation of [2007] IASC 116 to permit Japan Airlines to code share on Qantas services

Route	Airline	IASC Number	Date	Capacity Allocated	Comments
Solomon Islands	HeavyLift Cargo	[2008] IASC 130	08 Oct 08	25 tonnes per week	Renewal of [2004] IASC 121
Solomon Islands	Sky Air World	[2009] IASC 207 d	24 Jun 09	[470 seats per week]	Revocation of [2007] IASC 121
South Africa	Qantas	[2008] IASC 109	17 Jul 08	two frequencies per week	Allocation of passenger capacity
South Africa	Qantas	[2008] IASC 225	04 Dec 08		Variation of [2004] IASC 119, [2005] IASC 125, [2006] IASC 130, [2008] IASC 105 and [2008] IASC 109 to permit South African Airways to code share on Qantas services
South Africa	V Australia	[2008] IASC 113	05 Aug 08	five frequencies per week	Allocation of passenger capacity
Switzerland	Qantas	[2008] IASC 124	08 Oct 08	14 third-country airline code share frequencies per week	Renewal of [2004] IASC 113
Thailand	Qantas	[2008] IASC 119 d	26 Sep 08	unrestricted capacity/frequency or type of aircraft	Allocation of cargo capacity
Thailand	Qantas	[2008] IASC 217 d	26 Sep 08	[one all cargo service per week with any aircraft type]	Revocation of [2005] IASC 102
Thailand	Qantas	[2009] IASC 209 d	24 Jun 09		Variation of [2006] IASC 110 to permit Iberia to code share on Qantas services
Tonga	Pacific Blue	[2008] IASC 116 d	17 Sep 08	180 seats per week	Allocation of passenger capacity
United Kingdom	Qantas	[2009] IASC 210 d	24 Jun 09		Variation of [2006] IASC 105 to permit Iberia to code share on Qantas services
United States	V Australia	[2008] IASC 110 - 2 d	01 Aug 08	unlimited capacity, between, via and beyond	Allocation of passenger capacity
United States	V Australia	[2008] IASC 110 - 1 d	01 Aug 08	unlimited capacity, between, via and beyond, and between the United States and third countries	Allocation of freight capacity
United States	V Australia	[2008] IASC 213 d	01 Aug 08	[capacity on the South Pacific route consistent with the terms of the Australia – United States air transport arrangements]	Revocation of [2007] IASC 104
Vanuatu	Pacific Blue	[2008] IASC 111 d	01 Aug 08	180 seats per week	Allocation of passenger capacity
Vietnam	Qantas	[2009] IASC 101 d	13 Jan 09	two frequencies per week	Allocation of cargo capacity

*d Indicates a determination or decision made by the Commission's delegate*

*\* Brackets indicate a reduction in capacity allocated*



# APPENDIX 2

## Route-by-route summary of Commission determinations and decisions in 2008–09

This appendix provides a detailed summary of the Commission’s determinations and decisions for 2008–09. Full determinations and decisions can be viewed on the Commission’s website at [www.iasc.gov.au](http://www.iasc.gov.au)

### China

Qantas applied to the Commission on 25 August 2008 for a renewal of Determination [2004] IASC 101 which allocated 2,135 seats of capacity per week in each direction on the China route. This determination was subsequently varied to authorise code sharing by Qantas with China Eastern Airlines.

On 8 October 2008, the Commission issued Determination [2008] IASC 121 in favour of Qantas, re-allocating 2,135 seats per week in each direction on the route. The determination is for five years from 2 March 2009.

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Qantas applied to the Commission on 24 March 2009 to revoke Determination [2007] IASC 103 which allocated 835 seats of capacity per week on the China route. On 11 May 2009, the Commission made Decision [2009] IASC 203, revoking the determination as requested.

### Cook Islands

Pacific Blue Australia applied to the Commission on 18 July 2008 for an allocation of 180 seats per week of capacity on the Cook Islands route. The capacity was sought to enable the airline to operate a third weekly B737-800 service between Brisbane and Rarotonga.

On 1 August 2008, the Commission’s delegate issued Determination [2008] IASC 115, allocating 180 seats per week to Pacific Blue Australia.

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Pacific Blue Australia applied to the Commission on 3 September 2008 to renew Determination [2004] IASC 114 which allocated 180 seats per week in each direction on the Cook Islands route. On 8 October 2008, the Commission issued renewal Determination [2008] IASC 128, re-allocating 180 seats of capacity per week to Pacific Blue Australia. The determination is for five years from 20 September 2009.

## Fiji

On 18 July 2008, Pacific Blue Australia applied for an allocation of 360 seats per week capacity on the Fiji route to enable it to operate twice weekly services using Boeing 737-800 aircraft. The capacity was to allow Pacific Blue Australia to increase its services to 16 per week on the route.

On 1 August 2008, the delegate of the Commission issued Determination [2008] IASC 112, allocating 360 seats per week to Pacific Blue Australia on the Fiji route.

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On 2 September 2008, Pacific Blue Australia applied for an allocation of 360 seats per week of capacity on the Fiji route to enable the airline to operate twice weekly Boeing 737-800 services. On 17 September 2008, the delegate of the Commission made Determination [2008] IASC 117 allocating the capacity requested to Pacific Blue Australia.

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Pacific Blue Australia applied to the Commission on 3 September 2008 to renew Determination [2004] IASC 122 which allocated 1,260 seats per week in each direction on the Fiji route. On 8 October 2008, the Commission issued renewal Determination [2008] IASC 129 in favour of Pacific Blue Australia, re-allocating 1,260 seats of capacity per week on the route. The determination is for five years from 20 September 2009.

## Hong Kong

Qantas applied to the Commission on 25 August 2008 for a renewal of Determination [2004] IASC 103, which allocated seven services of capacity per week in each direction beyond Hong Kong under the Australia – Hong Kong air services arrangements. On 8 October 2008, the Commission issued Determination [2008] IASC 125 re-allocating the capacity for a further five years from 30 July 2009.

## India

Qantas applied to the Commission on 25 August 2008 for a renewal of Determination [2004] IASC 104 which allocated 2,100 seats of capacity per week in each direction on the India route. The determination was subsequently varied to reduce the capacity allocated to 1,175 seats per week, and to authorise code sharing with Jet Airways.

The Commission issued renewal Determination [2008] IASC 122 on 8 October 2008, re-allocating 1,175 seats of capacity per week in each direction. The determination is for five years from 29 June 2009.

## Indonesia

Airnorth applied to the Commission on 24 March 2009 to revoke Determination [2006] IASC 127, which allocated unrestricted capacity and frequency for the operation of combined passenger, cargo and mail services on the Indonesia route. On 11 May 2009 the Commission made Decision [2009] IASC 205, revoking the determination as requested.

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On 14 August 2008, Ozjet applied for a variation to Determination [2008] IASC 101 to increase the capacity allocated on the Indonesia route by 102 seats per week to a total of 408 seats per week. Ozjet also asked for the determination to be varied to extend its duration for a further twelve months for an effective duration of three years from the date of the determination. The delegate, on behalf of the Commission, issued Decision [2008] IASC 214 on 26 August 2008, allocating the additional capacity and extending the determination period as requested.

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On 19 September 2008, Pacific Blue Australia applied for an allocation of 1,980 seats of capacity per week on the Indonesia route. The capacity was planned to be used to operate a total of eleven services between Denpasar and Brisbane, Perth and Adelaide. The Commission issued Determination [2008] IASC 120 on 8 October 2008 allocating the capacity sought for a period of five years from the date of the determination.

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On 5 February 2009, Pacific Blue Australia applied for an allocation of capacity on the Indonesia route. The capacity sought was 720 seats per week, with the airline planning to add four weekly B737-800 services between Perth and Denpasar.

On 25 February 2009, the delegate of the Commission issued Determination [2009] IASC 103, allocating the capacity sought. The determination is for five years from the date of the determination.

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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. The application included an allowance for additional capacity beyond the airline's immediate requirements. On 11 May 2009, the Commission issued Determination [2009] IASC 105 in favour of Pacific Blue Australia, allocating the capacity sought for a period of five years.

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Pacific Blue Australia applied to the Commission on 1 May 2009, for an allocation of unlimited capacity on the Indonesia route. On 27 May 2009, the delegate, on behalf of the Commission, made Determination [2009] IASC 106 in favour of Pacific Blue Australia, allocating unrestricted passenger capacity in each direction on the Indonesia route between points in Australia, except Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia. The determination is for five years from the date of the determination.

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On 20 March 2009, Pacific Blue Australia applied for an allocation of 540 seats per week and three frequencies per week of passenger capacity beyond Indonesia. The allocation was sought to enable Pacific Blue Australia to operate three services per week beyond Denpasar. The services were to be operated between Denpasar and Phuket in Thailand.

On 15 June 2009, the delegate of the Commission issued Determination [2009] IASC 107 allocating 540 seats per week and three frequencies per week of passenger capacity beyond Indonesia, all three of which may serve Denpasar, under the Australia – Indonesia air services arrangements. The determination is for five years from the date of the determination.

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On 10 September 2008, Qantas applied to the Commission for an allocation of 1,074 seats of capacity per week on the Indonesia route. The capacity was to enable Jetstar Airways to introduce a daily Airbus A320 return service on the Brisbane–Darwin–Denpasar sector from 3 December 2008. Qantas also proposed to code share on Jetstar’s services on the route. Qantas indicated that it might deploy larger aircraft types on some other sectors on the Indonesia route during the Northern Winter 2008 scheduling season. On 24 September 2008, the Commission’s delegate issued Determination [2008] IASC 118, allocating 1,074 seats per week and authorising code sharing between Qantas and Jetstar. The determination is for a period of five years.

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On 18 March 2009, Qantas applied to the Commission for an allocation of 389 seats per week and four frequencies per week of passenger capacity beyond Indonesia. The airline planned to extend Jetstar’s four weekly Perth–Denpasar and three weekly Perth–Jakarta to Singapore from mid-2009. Qantas already held some capacity unused which would be applied to the extended services under Determination [2007] IASC 109. This also already enabled Qantas to operate three frequencies per week beyond Denpasar. Thus Qantas needed authorisation for only one of the additional weekly frequencies to operate beyond Denpasar to implement its proposed four-weekly Perth–Denpasar–Singapore services.

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On 3 April 2009, the delegate, on behalf of the Commission, issued Determination [2009] IASC 104 allocating 389 seats per week and four frequencies per week of passenger capacity beyond Indonesia, one of which may serve Denpasar. The determination is for five years from the date of the determination.

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Qantas applied on 12 June 2009 for an allocation of 360 seats of capacity per week on the Indonesia route. This was to enable Jetstar to move to daily flights from four services per week between Perth and Denpasar. The capacity sought, together with other capacity released through removal of one weekly service on the Perth–Jakarta–Singapore route, was sufficient to support the additional services. The Commission’s delegate allocated the capacity sought in Determination [2009] IASC 108 on 24 June 2009. The period of the determination is five years.

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On 29 December 2008, Sky Air World applied to the Commission for an allocation of unlimited capacity on the Indonesia route. The airline indicated that it planned to operate up to 14 services per week between Darwin and Denpasar.

On 22 January 2009, the delegate, on behalf of the Commission, issued Determination [2009] IASC 102 in favour of Sky Air World, allocating unrestricted passenger capacity in each direction on the route between points in Australia, except Sydney, Melbourne, Brisbane and Perth and authorised points in Indonesia. The determination is for five years from the date of the determination.

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On 18 June 2009, liquidators for Sky Air World applied to the Commission to revoke Determination [2009] IASC 102. On 24 June 2009, the Commission's delegate made Decision [2009] IASC 207, revoking the determination as sought.

## Japan

Qantas applied to the Commission on 25 August 2008 for a renewal of Determination [2004] IASC 105 which allocated one B767-200 unit of capacity per week on the Japan route. The determination was subsequently varied to enable any wholly-owned subsidiary of Qantas to provide joint services with Qantas. The Commission issued renewal Determination [2008] IASC 126 on 8 October 2008 in favour of Qantas. The determination is for five years from 6 December 2009.

On 25 August 2008 Qantas applied to the Commission for a renewal of Determination [2004] IASC 120 which allocated three B767-200 units per week of capacity on the Japan route. The determination was subsequently varied to allow any wholly-owned subsidiary of Qantas to provide joint services with Qantas and to authorise code sharing with Japan Airlines. On 8 October 2008, the Commission issued renewal Determination [2008] IASC 127 re-allocating three B767 units per week of capacity in each direction. The determination is for five years from 8 November 2009.

On 12 August 2008, Qantas applied for a variation of Determination [2006] IASC 117 to enable code sharing by Japan Airlines on daily services by Jetstar between Tokyo and Cairns on the Japan route. Jetstar was to replace Qantas' services on this sector from 18 December 2008. Authorisation was also sought for Qantas to code share with wholly-owned subsidiaries. A submission in support of the application was received from Tourism Queensland, which argued that Jetstar's services would be sustainable only through co-operative arrangements with Japan Airlines as proposed.

The Commission noted that it had reviewed circumstances on the route recently and that little had changed between that review and the current application. That earlier review had evidenced weakness in the Japanese visitor market to Australia which had prevailed for some years. The Commission also reviewed latest data from Qantas on its revenue yields, which continued to be subdued. The Commission also took account of continuing cost pressures on the route largely associated with high fuel prices. In light of these factors, the Commission decided against assessing the Qantas application against the paragraph 5 criteria in the Minister's policy statement. The Commission was satisfied that there would be no lessening of public benefits from allowing code sharing.

The Commission issued Decision [2008] IASC 215 on 12 September 2008, varying the determination as requested. Code sharing by Japan Airlines with Jetstar was approved until 31 December 2010. Jetstar was required to report six-monthly on the number of code seats sold by Japan Airlines on Jetstar’s services, as well as Jetstar’s passenger revenue yields.

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Also on 12 August 2008, Qantas applied for a variation of three determinations relating to the Japan route. Qantas sought a substitution of the Gold Coast for Brisbane on services operated by Jetstar on a Sydney–Osaka–Brisbane–Sydney routing. Approval was also sought for continued code sharing by Japan Airlines on Jetstar’s services. Tourism Queensland made a supporting submission.

The Commission again noted the continuing weak demand and modest yields on the route. It found that the code share partners had not been pricing in a way which was detrimental to public benefits from services on the route.

The Commission issued Decision [2008] IASC 216 on 12 September 2008, varying the determinations as requested, with code sharing approved until 31 December 2010.

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Qantas applied to the Commission on 17 November 2008 to revoke Determinations [2005] IASC 106, [2005] IASC 123, [2005] IASC 124, [2005] IASC 126, [2006] IASC 103 and [2006] IASC 113 which together allocated thirteen B767-200 units on the Japan route. The request followed a decision by the airline to reduce its number of services. On 2 December 2008, the Commission issued Decision [2008] IASC 220 revoking the determinations as requested.

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On 17 November 2008, Qantas applied to the Commission to vary the capacity allocated by Determination [2006] IASC 124. This determination allocated 2.4 B767-200 units per week of capacity on the Japan route. Qantas sought a reduction of the capacity allocated to 0.6 B767-200 units. The Commission issued Decision [2008] IASC 221 on 2 December 2008, varying the determination as requested.

**Malaysia**

Qantas applied to the Commission on 17 November 2008 to revoke Determination [2007] IASC 101 which allocated 909 seats per week on the Malaysia route. This request followed the withdrawal from the route by Jetstar in June 2008. On 2 December 2008, the Commission issued Decision [2008] IASC 222 revoking the determination.

**Nauru**

Ozjet applied to the Commission on 1 December 2008 to revoke Determination [2008] IASC 106 on the Nauru route. This determination allocated one frequency per week with any aircraft type not exceeding the capacity of a B737 aircraft. On 2 December 2008, the Commission revoked the determination in Decision [2008] IASC 224.

## New Zealand

Ozjet applied to the Commission on 1 December 2008 to revoke Determination [2008] IASC 102, which allocated unlimited passenger capacity on the New Zealand route. On 2 December 2008, the Commission issued Decision [2008] IASC 223 revoking the determination as requested.

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On 13 January 2009, Pacific Blue Australia sought a variation to Determination [2007] IASC 118 to allow code sharing with V Australia on services operated by Pacific Blue Australia between Australia and New Zealand. The applicant advised that both Pacific Blue Australia and V Australia were wholly-owned subsidiaries of Virgin Blue Holdings Ltd and so the proposed arrangements would be exclusively within this established airline group. V Australia would participate in the arrangements only as a marketing carrier, so no capacity allocation was required for that airline on the New Zealand route. Both carriers would independently price and sell seats on the route.

In assessing the application, the Commission's delegate noted that the two airlines had different roles, which meant it was unlikely they would compete directly by both operating services on the same route. Allowing the two carriers to code share on the already highly contested New Zealand route was not expected to result in a lessening of public benefits. Accordingly, on 28 January 2009, the delegate issued Decision [2009] IASC 201 to permit code sharing between the two wholly-owned subsidiaries of Virgin Blue Holdings Ltd as requested.

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On 11 March 2009, Qantas applied for a variation to Determination [2006] IASC 109, to permit Etihad Airways to code share on Qantas-operated services between Australia and New Zealand. On 25 March 2009, the delegate of the Commission issued Decision [2009] IASC 202 varying the determination as requested.

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On 3 November 2008, Asian Express Airlines applied for a variation to Determination [2005] IASC 120 to amend the company name to Tasman Cargo Airlines. On 18 November 2008, the delegate, on behalf of the Commission, issued Decision [2008] IASC 219 varying the determination to reflect the airline's new trading name.

## Papua New Guinea

On 28 August 2008, Pacific Blue Australia applied for an allocation of 900 seats of capacity per week on the Papua New Guinea route. Pacific Blue Australia planned to use the capacity to introduce four B737-800 services per week between Brisbane and Port Moresby from November 2008, with a fifth weekly service to commence in November 2009.

In considering the application, the Commission noted that Pacific Blue Australia's new services should introduce substantial competition to the route. The Commission had been concerned for some time about the limited competition in this market. On 12 September 2008, the Commission issued Determination [2008] IASC 114 in favour of Pacific Blue Australia, allocating the capacity sought for a period of five years.

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On 10 September 2008, Pacific Blue Australia applied to the Commission for authorisation to code share with Airlines of PNG on Pacific Blue Australia's services between Brisbane–Port Moresby, which were to commence in November 2008. Pacific Blue Australia proposed to allocate a "hard block" (a fixed number of seats on each flight) to Airlines of PNG under the proposed arrangements. Airlines of PNG would withdraw its three B737 services per week on the Brisbane–Port Moresby sector with the introduction of Pacific Blue Australia's flights.

On 8 October 2008, the Commission issued a draft decision proposing to authorise the arrangement and invited public submissions. No responses were received. In reaching its final decision, the Commission found that there would be an improvement in public benefits from Pacific Blue Australia's services compared with those of Airlines of PNG. There would be an additional weekly frequency and larger B737-800 aircraft would operate compared with the smaller B737-300s of Airlines of PNG. The extra capacity operated would create an incentive for the code share partners to compete strongly for market share. The participation of Airlines of PNG through the code share meant that its presence would be maintained in the Brisbane–Port Moresby sector. The Commission issued Decision [2008] IASC 218 on 27 October 2008, varying Determination [2008] IASC 114 to allow code sharing between the two airlines as requested.

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Qantas applied to the Commission on 24 March 2009 to reduce the capacity allocated by Determination [2007] IASC 123 for freight services on the Papua New Guinea route from 34 tonnes per week to 17.5 tonnes per week. On 11 May 2009, the Commission issued Decision [2009] IASC 204 reducing the allocation of capacity as requested.

### Philippines

Qantas applied to the Commission on 25 August 2008 for a renewal of Determination [2004] IASC 106 which allocated 229 seats per week on the Philippines route. The determination was subsequently varied by Decision [2007] IASC 222 to reduce the capacity allocation to 129 seats per week.

On 8 October 2008, the Commission issued renewal Determination [2008] IASC 123, allocating 129 seats per week. The determination is for five years from 6 December 2009.

### Singapore

On 30 April 2009, Qantas applied for a variation to Determination [2007] IASC 116, to permit Japan Airlines to code share on certain services operated by Qantas between Australia and Singapore and for Qantas to code share on daily Japan Airlines services between Singapore and Tokyo and Osaka. The delegate of the Commission considered there were unlikely to be net adverse affects on competition from the proposed arrangement. On 27 May 2009, the delegate issued Decision [2009] IASC 206 varying the determination as requested.



## Solomon Islands

HeavyLift applied to the Commission for a renewal of Determination [2004] IASC 121 which allocated 25 tonnes of capacity per week on the Solomon Islands route. On 8 October 2008, the Commission issued renewal Determination [2008] IASC 130, re-allocating the capacity to HeavyLift as requested. The determination is for five years from 8 November 2009.

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On 18 June 2009 the liquidators for Sky Air World applied to revoke Determination [2007] IASC 121, which allocated 470 seats per week of capacity on the Solomon Islands route. On 24 June 2009 the Commission's delegate revoked the determination in Decision [2009] IASC 208.

## South Africa

On 26 June 2008, Qantas applied for an allocation of two frequencies per week of capacity on the South Africa route. Qantas planned to increase its frequency of operations between Sydney and Johannesburg from five to seven services per week. The implementation of the services was dependant on the delivery of new A380 aircraft, which would release B747 aircraft to operate the extra flights. Qantas also requested that the capacity be able to be utilised by Qantas or another Australian carrier which is a wholly-owned subsidiary of the Qantas Group, including in joint services between them.

On 17 July 2008, the Commission issued Determination [2008] IASC 109, allocating two frequencies per week and permitting the capacity to be used by any wholly-owned subsidiary. The duration of the determination is five years.

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On 3 October 2008, Qantas applied for authorisation to permit South African Airways to continue code sharing on Qantas' services between Australia and South Africa until 31 December 2010. A variation to this effect was sought to Determinations [2004] IASC 119, [2005] IASC 125, [2006] IASC 130, [2008] IASC 105 and [2008] IASC 109. The Commission authorised the continued arrangement as proposed, in Decision [2008] IASC 225 of 4 December 2008. A detailed summary of this decision is contained in Part 3 of this annual report.

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On 16 July 2008, V Australia applied for an allocation of five weekly services of capacity on the South Africa route, with services planned to commence in October 2009. V Australia planned to operate the services between Sydney and Johannesburg using B777-300ER aircraft with a capacity of 361 seats.

On 5 August 2008, the Commission issued Determination [2008] IASC 113, in favour of V Australia, allocating the capacity sought. The determination is for a five year period. In making the allocation, the Commission indicated that the entry of V Australia to the South Africa route would introduce a substantial degree of competition which should result in improved benefits to the travelling public.

## Switzerland

On 25 August 2008, Qantas applied to the Commission to renew Determination [2004] IASC 113, which allocated 14 third-country airline code share frequencies per week in each direction on the Switzerland route. On 8 October 2008, the Commission issued renewal Determination [2008] IASC 124 re-allocating the capacity as requested for a period of five years from 1 September 2009.

## Thailand

On 8 September 2008, Qantas applied to the Commission for an allocation of unlimited capacity on the Thailand route. The application followed revisions to the air services arrangements with Thailand which removed restrictions on capacity, frequency and routes for the operation of all-cargo services. On 26 September 2008, the delegate of the Commission issued Determination [2008] IASC 119, allocating unlimited capacity for all-cargo services to Qantas.

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Concurrently with its application for an allocation of unlimited capacity for all-cargo services, on 8 September 2008 Qantas applied to the Commission for revocation of Determination [2005] IASC 102. This allocated one all-cargo service per week of capacity on the Thailand route. The Commission's delegate issued Decision [2008] IASC 217 on 26 September 2008, revoking the determination as requested.

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Qantas applied on 15 June 2009 for a variation of Determination [2006] IASC 110 on the Thailand route to permit the Spanish airline Iberia to code share on daily Qantas services via Thailand to the United Kingdom. A submission in support of the proposal was received from Tourism Queensland, which argued that the arrangements would contribute positively to public benefits, such as by increasing tourism from Spain to Australia. A concurrent application was made to vary the relevant determination on the United Kingdom route.

The delegate of the Commission noted that the Commission had previously authorised code sharing by Qantas with other airlines on the Thailand route, and between Qantas and Iberia on the Singapore route. Noting that the Thailand route is competitive and the scale of the arrangement was modest, the delegate authorised the code share proposal in Decision [2009] IASC 209 of 24 June 2009.

## Tonga

On 2 September 2008, Pacific Blue Australia applied to the Commission for an allocation of 180 seats per week, to enable it to operate a third weekly B737-800 service on the Tonga route. The delegate, on behalf of the Commission, issued Determination [2008] IASC 116 allocating the capacity sought for a period of five years.

## United Kingdom

Qantas applied on 15 June 2009 for a variation of Determination [2006] IASC 110 on the United Kingdom route to permit the Spanish airline Iberia to code share on daily Qantas services via Thailand to the United Kingdom. A submission from Tourism Queensland supported the proposal. This contended that the code share would have public benefits, such as increased tourism from Spain to Australia. A concurrent application was made to vary the relevant determination on the Thailand route.

The delegate of the Commission noted that authorisation had been given in other cases for code sharing by Qantas with other airlines on the United Kingdom route, and between Qantas and Iberia on the Singapore route. The delegate noted that the United Kingdom route is competitive and the scale of the arrangement was modest. The code share arrangement was authorised in Decision [2009] IASC 210 of 24 June 2009.

## United States

V Australia applied to the Commission on 31 July 2008 to revoke Determination [2007] IASC 104, which allocated capacity and frequency on the South Pacific route between Australia and the United States. This request followed changes to the air services arrangements between Australia and the United States, which removed restrictions on capacity, frequency and routes. On 1 August 2008, the delegate, on behalf of the Commission, issued Decision [2008] IASC 213 revoking the determination as requested.

Related to this application, V Australia applied for an allocation of unlimited passenger and cargo capacity and frequency on the United States route.

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On 16 July 2008, V Australia applied for an allocation of unlimited passenger and cargo capacity and frequency on the United States route. The airline proposed to commence flying between Sydney and Los Angeles with seven services per week beginning in December 2008. It planned to introduce a further three weekly services per week between Brisbane and Los Angeles from March 2009. V Australia also sought the concurrent revocation of its existing Determination [2007] IASC 104 on the United States route.

On 1 August 2008, the Delegate on behalf of the Commission issued Determination [2008] IASC 110, allocating unlimited passenger and cargo capacity as requested. As capacity and routes under the Australia – United States air services arrangements are unrestricted, the determination is effective for ten years.

## Vanuatu

Pacific Blue Australia applied to the Commission on 18 July 2008 for an allocation of 180 seats per week of capacity on the Vanuatu route, to enable Pacific Blue Australia to operate an additional weekly service using a Boeing 737-800. This would increase Pacific Blue Australia's services to five per week on the route. On 1 August 2008, the delegate of the Commission issued Determination [2008] IASC 111. The determination is for a period of five years.

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**Vietnam**

On 17 December 2008, Qantas applied for an allocation of two frequencies per week of dedicated freight capacity on the Vietnam route. Qantas intended to use the capacity to operate a twice-weekly freighter service on a routing of Sydney–Saigon–Shanghai–points in the USA, returning to Sydney via Auckland or Sharjah, Frankfurt and Bangkok.

On 13 January 2009, the delegate on behalf of the Commission issued Determination [2009] IASC 101, allocating two dedicated cargo services per week of capacity in each direction. The determination is for five years from the date of the determination.

# APPENDIX 3

## Summary of total capacity allocated and available for all routes (third/fourth freedom capacity)

Passenger capacity as at 30 June 2009

ROUTE	PASSENGER CAPACITY ALLOCATED (per week)	PASSENGER CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (per week)
Argentina	1,029 seats	1,771 seats
Austria	Nil	2,800 seats
Bahrain	Nil	12 frequencies**
Bangladesh	Nil	Five frequencies
Brazil	Nil	14 frequencies
Brunei Darussalam	Nil	26 services**
Burma	Nil	Two B747s
Canada	Nil	3,000 seats
Chile	Nil	2,000 seats
China	2,135 seats	6,365 seats**
Cook Islands	540 seats	Nil
Croatia	Nil	Seven services plus possible services to other points in Croatia
Czech Republic	Nil	Seven services**
Denmark	Nil	2,800 seats
Egypt	Nil	Three B747 services
Fiji	3,240 seats	1,760 seats**
Finland	Nil	2,800 seats
France	Route 1 = 250 code share seats; Route 2 = two units; Route 3 = 2.25 units (one unit = 400 seats)	Route 1 = three units and 150 code share seats; Route 2 = 2.5 units; Route 3 = 0.25 units
Germany	Seven frequencies	18 frequencies
Greece	Nil	2,100 seats and 800 third-country code share seats

ROUTE	PASSENGER CAPACITY ALLOCATED (per week)	PASSENGER CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (per week)
Hong Kong	31 frequencies	39 frequencies**
Hungary	Nil	Seven services**
India	1,175 seats	5,325 seats and 1,625 third-party code share seats
Indonesia	10,032 seats and 1,779 seats and 10 frequencies beyond	768 seats and 4,861 and 13 frequencies beyond**
Ireland	Nil	Seven services**
Italy	600 third-country code share seats	Seven frequencies and 400 third-country code share seats
Japan	56.3 units (one unit = one B767-200 equivalent)	22.7 units
Jordan	Nil	Three frequencies
Kenya	Nil	Seven frequencies
Korea	Between the beginning of the last week in December and the end of the first week in the following February 1,187 seats and outside the above period 500 seats	Between the beginning of the last week in December and the end of the first week in the following February 7,313 seats and outside this period 8,000 seats**
Kuwait	Nil	Two frequencies
Lebanon	Nil	Two B767s terminating in Lebanon, or three B767s transiting Lebanon
Luxembourg	Nil	Cargo capacity only
Macau	Nil	Three frequencies
Malaysia	Nil	29,100 seats**
Malta	Nil	Three frequencies
Mauritius	Nil	Seven frequencies** and 500 third-country code share seats
Mexico	Nil	Four frequencies to certain points; unrestricted to other points
Nauru	Nil	Three frequencies not exceeding the capacity of B737 aircraft
Netherlands	400 third-party code share seats	2,800 seats and 600 third-party code share seats
New Zealand	Unlimited	Unlimited

ROUTE	PASSENGER CAPACITY ALLOCATED (per week)	PASSENGER CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (per week)
Niue	Nil	500 seats
Norway	Nil	2,800 seats
Pakistan	Nil	Three services
Palau	Nil	1,200 seats
Papua New Guinea	2,116 seats	1,084 seats
Philippines	1,216 seats	2,784 seats and capacity beyond**
Poland	Nil	2,800 seats**
Qatar	Nil	Seven frequencies**
Russian Federation	Nil	Three frequencies
Samoa	Nil	1,000 seats
Singapore	Unlimited	Unlimited
Solomon Islands	360 seats	490 seats
South Africa	12 frequencies	Nil
Spain	Nil	Seven services to Madrid and/or Barcelona, otherwise unlimited
Sri Lanka	Nil	13 services**
Sweden	Nil	2,800 seats
Switzerland	Twenty-one third-country code share frequencies	2,800 seats** and nil third-country code share frequencies
Taiwan	Nil	6,000 seats
Thailand	11.2 B747 and seven third-party code share frequencies	33.8 B747s and 33 third-party code share frequencies
Tonga	540 seats	60 seats
United Arab Emirates	Nil	77 frequencies**
United Kingdom	Unlimited	Unlimited
United States	Unlimited	Unlimited
Vanuatu	1,300 seats	100 seats
Vietnam	Five frequencies	Five frequencies**
Zimbabwe	Nil	1,600 seats

## Freight Capacity as at 30 June 2009

ROUTE	FREIGHT CAPACITY ALLOCATED (per week)	FREIGHT CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (per week)
Argentina	Nil	Seven frequencies
Austria	Nil	Unlimited
Bahrain	Nil	Unlimited
Bangladesh	Nil	Seven frequencies
Brazil	Nil	Seven frequencies
Brunei Darussalam	Nil	Unlimited
Burma	Nil	Not specified †
Canada	Nil	Converted from seats at the rate of 40 seats for each 10 tonnes or part thereof
Chile	Nil	Unlimited
China	Unlimited	Unlimited
Cook Islands	Nil	Unlimited
Croatia	Nil	Unlimited
Czech Republic	Nil	Unlimited
Denmark	Nil	Unlimited
Egypt	Nil	Not specified †
Fiji	Nil	70 tonnes
Finland	Nil	Unlimited
France	Route 1 = Nil; Route 2 = Nil; Route 3 = one B737 freighter	Route 1 = not specified; Route 2 = not specified; Route 3 = Nil
Germany	Unlimited	Unlimited
Greece	Nil	250 tonnes and 100 tonnes third-country code share
Hong Kong	One frequency	One frequency** (note: passenger capacity may be converted to freight capacity and vice versa)
Hungary	Nil	Unlimited
India	Unlimited	Unlimited
Indonesia	Nil	Three frequencies



ROUTE	FREIGHT CAPACITY ALLOCATED (per week)	FREIGHT CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (per week)
Ireland	Nil	Unlimited
Italy	Nil	Not specified †
Japan	Nil	Not specified †
Jordan	Nil	Not specified †
Kenya	Nil	Unlimited
Korea	Nil	Unlimited
Kuwait	Nil	One frequency
Lebanon	Nil	Not specified †
Luxembourg	Nil	Unlimited
Macau	Nil	Not specified †
Malaysia	Nil	Unlimited
Malta	Nil	Not specified †
Mauritius	Nil	Unlimited
Mexico	Nil	Four frequencies to certain points, unrestricted to other points (capacity may be used for passenger and cargo services or dedicated cargo services)
Nauru	Nil	Not specified †
Netherlands	Nil	Two services and 200 tonnes third-country code share
New Zealand	Unlimited	Unlimited
Niue	Nil	Unlimited
Norway	Nil	Unlimited
Pakistan	Nil	One frequency
Palau	Nil	150 tonnes
Papua New Guinea	83.5 tonnes	16.5 tonnes
Philippines	Nil	300 or 1,300 tonnes depending on the route operated
Poland	Nil	Unlimited
Qatar	Nil	Not specified †
Russian Federation	Nil	Not specified †

ROUTE	FREIGHT CAPACITY ALLOCATED (per week)	FREIGHT CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (per week)
Samoa	Nil	Unlimited
Singapore	Unlimited	Unlimited
Solomon Islands	100 tonnes	Nil
South Africa	Nil	Unlimited
Spain	Nil	Unlimited
Sri Lanka	Nil	Unlimited
Sweden	Nil	Unlimited
Switzerland	Nil	Unlimited
Taiwan	Nil	Unlimited
Thailand	Unlimited	Unlimited
Tonga	Nil	Unlimited
United Arab Emirates	Unlimited	Unlimited
United Kingdom	Unlimited	Unlimited
United States	Unlimited	Unlimited
Vanuatu	25 tonnes	75 tonnes
Vietnam	Two frequencies	One frequency
Zimbabwe	Nil	100 tonnes

\*The purpose of these tables is to provide an overview only of the amount of passenger and freight-specific capacity allocated and remaining available for allocation as at 30 June 2009. The tables do not purport to provide detailed or comprehensive statements of rights allocated by the International Air Services Commission, nor of the capacity entitlements or related matters (such as code sharing) described in the Register of Available Capacity. Interested parties should contact the International Air Services Commission or the Department of Infrastructure, Transport, Regional Development and Local Government to obtain full information about any route. The Register of Available Capacity is available for public viewing on the Department's Internet site at [www.infrastructure.gov.au/aviation/international/pdf/register\\_available\\_capacity.pdf](http://www.infrastructure.gov.au/aviation/international/pdf/register_available_capacity.pdf)

\*\*These routes have a regional package in place whereby services to points other than Brisbane, Melbourne, Sydney and Perth have unrestricted capacity entitlements. Refer to the Register of Available Capacity for details.

† Freight capacity is not separately specified in the Register of Available Capacity. However, freight capacity may be available. Interested parties should contact the Department of Infrastructure, Transport, Regional Development and Local Government.

# APPENDIX 4

## Other information

### Occupational health and safety

As the staff members of the secretariat are employees of the Department of Infrastructure, Transport, Regional Development and Local Government (the Department), they are subject to the same occupational health and safety arrangements as departmental officers. The Department’s annual report contains details of those arrangements.

### Freedom of information

The *Freedom of Information Act 1982* (the FOI Act) requires Australian Government agencies to publish a statement setting out their role, structure, functions, documents available for public inspection and access to such documents. Section 8 of the FOI Act requires each agency to publish detailed information on the way it is organised, its powers, decisions made and arrangements for public involvement in the work of the agency. The information contained in this report meets this requirement. Refer to Appendix 5 for further details.

The IASC received no requests under the FOI Act in 2008–09.

### Advertising and market research

For newspaper advertising of applications for capacity made by Australian airlines to the Commission, the Commission paid \$23,168 to HMA Blaze. The Commission is required by the Act to advertise applications received.

### Ecologically sustainable development and environmental performance reporting

The Commission’s offices and secretariat staff are located within the Department’s buildings and as such are covered by the Department’s processes in this area.

# APPENDIX 5

## Freedom of information schedule

Item	Information
Access facilities	In many cases, application for information under the <i>Freedom of Information Act 1982</i> (the FOI Act) might not be required because information or documents may be readily available through the Commission's public register process. Formal requests under the FOI Act must be made in writing to the contact officer listed at the front of this report.
Arrangements for public involvement	Formal participation and consultation can be arranged by contacting the Executive Director of the Commission whose details are listed at the commencement of this report. The Commission welcomes views and comments from members of the public and bodies outside the Commonwealth concerning its functions.
Commission powers	The Commission exercises decision-making powers under section 6(4) of the Act to perform its functions. It has the power to do everything necessary or convenient to be done for, or in connection with, performing those functions. The Commission has a range of specific powers that include convening public hearings and summoning witnesses.
Decision process	The general power to grant or refuse access to Commission documents is held by the Chairman. On 5 September 1994, the Chairman authorised the Executive Director to exercise the Chairman's powers and functions under the FOI Act.
Documents available for inspection	<p>The Commission keeps a Register of Public Documents containing public versions of applications, submissions and comments for each case before the Commission. The register is available for public scrutiny. A Register of Confidential Documents that contains material from applications and submissions deemed to be confidential by the Commission or its delegate is also maintained. The Commission applies those standards based on the FOI Act for the protection of documents relating to business affairs. Consistent with the transparency of its processes, the Commission encourages applicants and submitters to keep requests for confidential treatment of documents to a minimum.</p> <p>The Commission has published a series of guidelines that describe its procedures and processes in relation to allocating capacity. These guidelines are available on request or from the Commission's Internet home page. The Commission provides facilities for examining and copying publicly available documents at its office. Documents may also be obtained by facsimile or by email. Operational files are maintained on all the Commission's activities and are stored at the office of the Commission. These files are not open to public access.</p>
Functions of the Commission	<p>The functions of the Commission, as set out in section 6 of the Act, are to:</p> <ul style="list-style-type: none"> <li>(a) make determinations</li> <li>(b) conduct reviews of those determinations</li> <li>(c) provide advice to the Minister about any matter referred to the Commission by the Minister concerning international air operations.</li> </ul>
How the Commission is organised	The organisation of the Commission is described in Part 2 of this report.
Location	The Commission's offices are located at 62 Northbourne Avenue, Canberra, ACT.

# APPENDIX 6

## Commission procedures

The Commission has published procedures for making determinations allocating available capacity. The procedures are designed to be consistent with the requirements of the *International Air Services Commission Act 1992* (the Act) and with the principles of natural justice. They are intended to give applicants and other interested parties procedural fairness, ensure that the Commission's processes are as open as possible and provide guidance to anyone wishing to apply for, or make submissions about, matters being considered by the Commission, such as applications for allocations of capacity or to use capacity in joint international air services. The secretariat provides further individual guidance to applicants for capacity and other stakeholders when requested.

The Commission's procedures incorporate the following main steps:

- Create a Register of Public Documents for each route and make available for viewing by any interested person. The Commission requires a public version of all applications for, and submissions about, an allocation of capacity to be made available. A small amount of information received by the Commission is of a commercial-in-confidence or confidential nature. This material is held on the Commission's confidential register. Electronic distribution of all public documents is the Commission's normal practice.
- Invite other applications for capacity in response to an initial application for capacity, and submissions about applications where required by the Act and Minister's policy statement.
- Decide the criteria under which applications are to be assessed and, where relevant, invite the applicant(s) to submit further information addressing public benefit criteria.
- Ensure that the applicant is reasonably capable of obtaining the approvals necessary to operate and of using the capacity if so granted.
- Conduct a hearing if further information is needed to establish the nature and extent of a proposal's public benefit and, in the case of two or more competing applications, decide which application would be of the greatest benefit to the public.
- Publish draft determinations in the case of competing applications, or if it is proposed to reject all or part of an application, or where non-standard conditions are being proposed. This provides applicants and other interested parties with an opportunity to comment on the Commission's proposed allocation and any proposed terms and conditions prior to the issuing of a final determination. In other cases the Commission proceeds directly to a final determination.
- The Commission regularly updates its procedures. They are available from the Commission's home page at [www.iasc.gov.au](http://www.iasc.gov.au), or upon request to the Commission.

# APPENDIX 7

## Minister's policy statement

Policy Statement No. 5 as amended by International Air Services Policy Statement No. 5 (Amendment) dated 19 May 2004.

### Section 11 Policy Statement

#### Background

The *Aviation Legislation Amendment Act 2002* (AVLA) inserted Part 3A into the *International Air Services Commission Act 1992*. It permits the International Air Services Commission to delegate some of the Commission's powers and functions regarding the allocation of capacity in the operation of international air services to an Australian Public Service employee in the Department. The *International Air Services Commission Amendment Regulations 2003* specify the circumstances in which the Commission may delegate those powers and functions.

The effect of these amendments is to streamline the procedures for considering applications from Australian carriers for a determination granting capacity.

References to the Commission in this instrument include the delegate of the Commission unless expressly excluded.

#### 1. CITATION

- 1.1 This instrument may be referred to as the International Air Services Policy Statement No. 5. This policy statement replaces the policy statement made under section 11 of the *International Air Services Commission Act 1992* by the instrument dated 23 April 1997 (as amended on 9 March 1999).

#### 2. DEFINITIONS

- 2.1 In this policy statement, unless the contrary intention appears:

"Act" means the *International Air Services Commission Act 1992* (as amended)

"commercially sustainable level of capacity" means the minimum capacity necessary to permit the development of efficient commercially sustainable operations on a route.

"Commission" means the International Air Services Commission, unless otherwise specified.

"delegate" means a person exercising the powers and functions of the Commission pursuant to section 27AB of the Act.

"new entrant" means, in relation to a route, an Australian carrier that has not previously been allocated a commercially sustainable level of capacity in relation to that route.

"route" relates to the full set of entitlements available to Australian carriers under a

particular bilateral arrangement. All the combinations of origin, destination, intermediate and beyond points available to Australian carriers under the bilateral arrangement constitute a single route.

“start-up phase” means, in relation to any route, the period from 1 July 1992, or from such later date as a particular bilateral arrangement becomes subject to the Act in order that available capacity under that arrangement may be allocated by the Commission, until the date on which a determination has been made under the section 7 or 8 of the Act allocating a commercially sustainable level of capacity on the route to a new entrant.

**3. GENERAL**

3.1 This policy statement sets out the criteria to be applied by the Commission in performing its functions in relation to allocations of capacity to Australian carriers:

in particular types of circumstances where the Commission is not obliged to apply the full range of criteria set out in paragraphs 4 and 5 below;

- during the start up phase on a route;
- when considering the renewal of determinations including interim determinations; and
- when considering the review of determinations including variation and transfer applications.

3.2 The Commission should, in any adjudication of applications for capacity allocation, seek to maximise the benefits to the public to be gained from the operation of the capacity, assessed in accordance with the Act and against applicable criteria set out in this policy statement. When calling for applications, the Commission may set out matters it considers particularly important and the weighting that it is likely to give each of those matters.

3.3 In general, where capacity is subject to competing applications, the Government considers that own aircraft operations deliver greater benefits per unit of capacity used than code share operations involving arrangements for marketing seats on international carriers operated by another carrier or carriers.

3.4 In allocating capacity between competing applicants, the Commission may specify points to be served on the route when the criteria in paragraph 5 below are being applied. In other cases the Commission is to provide the carrier with flexibility to distribute capacity allowed to it among some or all of the combinations available on the route. However, in circumstances where, under a particular bilateral arrangement, limitations apply which prevent the same amount of capacity from being operated over the entire route, the Commission is to apply the provisions of paragraphs 4, 5 and 6 below as appropriate to the allocation of that limited capacity.

- 3.5 Subject to paragraphs 4, 5, 6 and 7 below, in allocating capacity on a route, the Commission will have regard to the objective of providing reasonable growth in entitlements to all Australian carriers operating on that route.
- 3.6 Where capacity that can be used for code share operations is available under air services arrangements, including where foreign airlines have rights to code share on services operated by Australian carriers, the Commission would generally be expected to authorise applications for use of capacity to code share. However, if the Commission has serious concerns that a code share application (or other joint service proposal) may not be of benefit to the public, it may subject the application to more detailed assessment using the additional criteria set out in paragraph 5 (whether the application is contested or not). Before doing so, the Commission will consult with the Australian Competition and Consumer Commission.
- 3.7 Where the Commission authorises a carrier to utilise allocated capacity to provide joint services with another carrier, the Commission will include a condition in all relevant determinations and decisions that the Australian carrier concerned should take all reasonable steps to ensure that passengers are informed, at the time of booking, that another carrier may operate the flight.

#### **4. GENERAL CRITERIA FOR ASSESSING BENEFIT TO THE PUBLIC**

- 4.1 Subject to paragraph 6 below, the general criteria against which the benefit to the public is to be assessed by the Commission in considering an allocation of capacity or the renewal or review of a determination allocating capacity to an Australian carrier are set out below:
- a) Subject to (b), the use of entitlements by Australian carriers under a bilateral arrangement is of benefit to the public.
  - b) It is not of benefit to the public for the Commission to allocate capacity to Australian carriers unless such carriers:
    - are reasonably capable of obtaining the necessary approvals to operate on the route; and
    - are reasonably capable of implementing their applications.
- 4.2 The delegate of the Commission must refer any applications back to the members of the Commission where the delegate has doubts that the applicant carrier satisfies the requirements of paragraph 4.1(b).

#### **5. ADDITIONAL CRITERIA FOR ASSESSING BENEFIT TO THE PUBLIC**

- 5.1 The following additional criteria are applicable in assessing the benefit to the public in all circumstances other than is provided in relation to particular circumstances set out in paragraph 6 below.



## Competition Benefits

- a) In assessing the extent to which applications will contribute to the development of a competitive environment for the provision of international air services, the Commission should have regard to:
- the need for Australian carriers to be able to compete effectively with one another and the carriers of foreign countries;
  - the number of carriers on a particular route and the existing distribution of capacity between Australian carriers;
  - prospects for lower tariffs, increased choice and frequency of service and innovative product differentiation;
  - the extent to which applicants are proposing to provide capacity on aircraft they will operate themselves;
  - the provisions of any commercial agreements between an applicant and another carrier affecting services on the route but only to the extent of determining comparative benefits between competing applications;
  - any determinations made by the Australian Competition and Consumer Commission or the Australian Competition Tribunal in relation to a carrier using Australian entitlements under a bilateral arrangement on all or part of the route; and
  - any decisions or notifications made by the Australian Competition and Consumer Commission in relation to a carrier using Australian entitlements under a bilateral arrangement on all or part of the route.

## Other Benefits

### Tourism Benefits

- b) In assessing the extent to which applications will promote tourism to and within Australia, the Commission should have regard to:
- the level of promotion, market development and investment proposed by each of the applicants; and
  - route service possibilities to and from points beyond the Australian gateway(s) or beyond the foreign gateway(s).

### Consumer Benefits

- c) In assessing the extent to which the applications will maximise benefits to Australian consumers, the Commission should have regard to:
- the degree of choice (including, for example, choice of airport(s), seat availability, range of product);

- efficiencies achieved as reflected in lower tariffs and improved standards of service;
- the stimulation of innovation on the part of incumbent carriers; and
- route service possibilities to and from points beyond the Australian gateway(s) or beyond the foreign gateway(s).

#### **Trade Benefits**

- d) In assessing the extent to which applications will promote international trade, the Commission should have regard to:
- the availability of frequent, low cost, reliable freight movement for Australian exporters and importers.

#### **Industry Structure**

- e) The Commission should assess the extent to which applications will impact positively on the Australian aviation industry.

#### **Other Criteria**

- f) The Commission may also assess applications against such other criteria as it considers relevant.
- 5.2 The Commission is not obliged to apply all the criteria set out in paragraph 5.1, if it is satisfied that the criteria relevant to the application have been met. In applying all criteria, the Commission should take as the pre-eminent consideration, the competition benefits of each application.

### **6. CRITERIA APPLICABLE IN PARTICULAR CIRCUMSTANCES**

#### **Where capacity is not limited**

- 6.1 In circumstances where capacity is not limited under a bilateral agreement, only the criteria in paragraph 4 are applicable.

#### **Where there is only one applicant or sufficient available capacity**

- 6.2 In circumstances where:
- a) there is only one applicant (or where more than one application is made but all except one are withdrawn) for allocation of capacity on a route; or
  - b) there is more than one applicant but the amount of available capacity is equal to or exceeds the total amount of capacity applied for:
- only the criteria in paragraph 4 are applicable.

## Variations of existing Determinations

6.3 Subject to paragraph 6.4, when the Commission is required to assess the benefit to the public, in circumstances where:

- a) a carrier requests a variation of a determination to allow it flexibility in operating its capacity, including to use Australian capacity in a code share arrangement with a foreign carrier; and
- b) no submission is received about the application

only the criteria in paragraph 4 are applicable.

6.4 The Commission may apply the additional criteria set out in paragraph 5 where submissions are received about the application for variation, provided those criteria were considered when the original application for allocation of capacity was made, or in the circumstances set out in paragraph 3.6 above including where no submissions are received.

In circumstances where a carrier requests a variation of a determination to allow it flexibility in operating capacity allocated to it to include a condition of the type referred to in section 15(2)(ea) of the Act, the criteria set out in paragraph 4 above are applicable to any persons of the description used in that section.

## 7. ALLOCATION CRITERIA – START UP PHASE

7.1 Where capacity is limited under a bilateral arrangement, during the start up phase in relation to any route on which an Australian carrier is already operating scheduled international services, the preeminent consideration is to introduce competition on the route through the allocation to an initial new entrant of sufficient capacity to develop an efficient and commercially sustainable operation. The Commission should therefore allocate such capacity to an initial new entrant, providing it is satisfied that:

- a) the level of capacity available and in prospect is sufficient to support efficient, commercially sustainable operations by both a new entrant and an incumbent Australian carrier;
- b) the new entrant's tariff and service proposals would enhance competition on the route;
- c) approval would not result in a decrease in inbound tourism to Australia or to Australian consumer benefits or trade; and
- d) the new entrant is reasonably capable of obtaining the necessary approvals and commencing operations as proposed.

7.2 Where a bilateral arrangement provides for dedicated freight capacity in addition to other capacity (whether that other capacity is for passenger services alone or in combination with, or convertible to, freight services (however described), the start-up phase will be applied separately in relation to:

- a) capacity involving the operation of passenger services (even if freight is also carried on those services); and
- b) capacity for the operation of dedicated freight services, (irrespective of whether this would involve the use of dedicated freight capacity or the use of dedicated freight capacity in combination with other capacity under a bilateral arrangement):

and the application of the start up phase criteria in the case of either (a) or (b) above will not end the start up phase in the case of the other.

- 7.3 An Australian carrier seeking an allocation of capacity, or which may be permitted to use capacity allocated to an incumbent Australian carrier, will not be taken to be a new entrant if it is a subsidiary or a holding company of an incumbent Australian carrier operating on the route or if there is another substantial connection between the two carriers in relation to ownership and control.
- 7.4 Where there are applications for capacity on a route during the start up phase by two or more prospective new entrants, the criteria set out in paragraphs 4 and 5 are to be applied in selecting one of those applicants as the initial new entrant to be allocated the level of capacity referred to in paragraph 7.1.
- 7.5 Where the Commission invites applications for capacity on a route during the start up phase and none of the applications received are from new entrants, the criteria in paragraph 4 and, subject to paragraph 6.2, in paragraph 5 above are to be applied in considering an allocation.
- 7.6 In considering determinations during the start up phase, the Commission shall have particular regard to the possible use of interim determinations to facilitate the introduction of competition on the route without any unnecessary delay in the use of capacity.

## **8. RENEWAL OF DETERMINATIONS**

- 8.1 Where capacity is limited under a bilateral arrangement, the criteria for assessing the benefit to the public for the purposes of the renewal of determinations, other than interim determinations, are set out below. The criteria reflect a presumption in favour of the carrier seeking renewal which may be rebutted only by application of the criteria in the circumstances described:
  - a) During the start up phase on the route:
    - the start up phase allocation criteria set out in paragraph 7 apply in relation to that part of the capacity which is reasonably necessary for a level of scheduled international services necessary to permit the development of efficient commercially sustainable operations; and
    - the criteria set out in paragraph 8.1(b) below apply to the balance of the capacity.

- b) After the start up phase on the route:
  - whether the carrier seeking renewal has failed to service the route effectively; and
  - whether use of the capacity in whole or part by another Australian carrier that has applied for the capacity would better serve the public having regard to the criteria set out in paragraphs 4 and 5.

In relation to subparagraph (b), the Commission should issue a fresh determination allocating the capacity to the carrier seeking renewal unless both the criteria are met, in which case all or part of the capacity can be reallocated.

### **Renewal of Interim Determinations**

8.2 Where capacity is limited under a bilateral arrangement, the criteria for assessing the benefit to the public for the purposes of renewal of interim determinations are:

- a) during the start up phase on the route
  - the criteria set out in paragraph 7 as applicable.
- b) after the start up phase on the route
  - the criteria set out in paragraphs 4 and 5.

## **9. THE 'USE IT OR LOSE IT' PRINCIPLE**

- 9.1 For the purposes of specifying a period within which capacity allocated to an Australian carrier must be fully used, the Commission should specify as short a period as is reasonable having regard to the steps required to commence operations. Except in exceptional circumstances, the Commission should not specify a period longer than 3 years.
- 9.2 When seasonal variations in demand are a feature of a route or code share arrangements between airlines and cause temporary minor variations in capacity usage, or unforeseen conditions outside the control of operating international airlines cause temporary suspension of services, the Commission may take these circumstances into account when interpreting the term "fully used" in section 15(2)(c) of the Act.

## **10. APPROVAL OF TRANSFER APPLICATIONS**

- 10.1 For the purposes of considering transfer applications the Commission should take into account that approvals which encourage speculative activity would not be of benefit to the public. Except in exceptional circumstances, approvals should not be given that would have the effect of allowing a carrier that has never exercised an allocation or has only exercised it for less than a reasonable period, to transfer that allocation.
- 10.2 A period of 6 months would usually represent a reasonable period for the purposes of subparagraph 10.1.

## 11 PERIOD FOR WHICH A DETERMINATION IS IN FORCE

### 11.1 The period for which a determination is to be in force is:

- a) on routes where either capacity or route rights are restricted:
  - if the determination is an interim determination – 3 years; or
  - if the determination is not an interim determination – 5 years

unless a carrier applies in writing requesting that a determination be for a lesser period than stipulated in (a) or (b). In these circumstances, the Commission may specify a lesser period in any determination relating to the application. In considering the renewal of a determination made in these circumstances, paragraph 8 will not apply.

- b) on routes where capacity and route rights are unrestricted:
  - if the determination is an interim determination – 3 years; or
  - if the determination is not an interim determination – 10 years.

# APPENDIX 8

## Service Charter 2009–2011

This charter sets out what we do and the standards of service that you can expect from us.

### From the Chairman

This charter sets out the standards of service that you can expect from the International Air Services Commission and its staff. These standards apply to how we make decisions and to how we deal with you. We want to give you the best service possible and we welcome your ideas for helping us do so.

**Mr John Martin**  
Chairman

### About the Commission

The Commission is an independent statutory authority comprised of three people – a Chairperson and two members. It is established under the *International Air Services Commission Act 1992* (the Act). The aim of the Act is to improve the welfare of Australians by promoting economic efficiency through competitive international air services.

Our role is to allocate capacity to Australian airlines so they can operate these international air services. We assess applications for capacity from airlines, using public benefit criteria in a policy statement given to us by the Minister for Infrastructure, Transport, Regional Development and Local Government. If an application meets the criteria, we make a determination granting capacity to the airline concerned. We also decide on airlines' applications to vary or renew determinations from time to time.

For more straightforward cases, we have authorised our delegate, usually the Commission's executive director, to make determinations and decisions on our behalf. The Commission decides on the more complex applications. In either case, you can expect the same high level of service from us.

### Making an application

If you wish to apply for capacity, or make a submission when we have invited these in certain cases, procedures for doing so can be found on our Internet site at [www.iasc.gov.au](http://www.iasc.gov.au). We suggest that prospective new airlines first contact the Commission's executive director.

## Our clients

In the broadest sense, the Australian community is our primary client because competitive air services promote the welfare of Australians. At a practical level though, airlines are the clients most directly affected by our decisions. However, our work is also relevant to many other parties. These include:

- the travelling public;
- the tourism and air freight industries, including Australian exporters;
- the wider aviation industry, including airport owners, providers of services to airlines, and employee associations;
- the Minister for Infrastructure, Transport, Regional Development and Local Government;
- Australian and State government departments and agencies; and
- the aviation industry press and analysts.

## Our service promises

We aim to provide you with the highest standards of service, both in the way we deal with you and in making our decisions. We make these commitments to you:

*In our dealings with you, we will*

- treat you courteously and professionally;
- provide you with clear and accurate advice;
- include contact names and phone numbers in our correspondence;
- answer phone calls promptly by name or return any missed calls within one working day if you leave a message;
- reply to your emails within two working days;
- reply to your letters within ten working days; and
- respond constructively to your suggestions for improving our service.

*In our decision-making processes, we will*

- notify you within five working days of receiving an application for capacity;
- follow our published procedures for handling applications – the procedures are on our Internet site or we will post, email or fax them to you upon request;
- seek only information that we consider is reasonably necessary for us to best carry out our functions;



- protect information you provide to us in confidence (although we prefer to keep confidential information to a minimum to ensure transparent decision making);
- make our decisions consistent with the requirements of the Act and the Minister's policy statement;
- make decisions about uncontested applications within four weeks of receipt and contested or opposed applications within twelve weeks, or inform the airline/s involved if there are reasons why a decision may take longer than this;
- finalise the renewal of existing determinations quickly and, in the case of contested renewals, at least six months prior to the expiry date; and
- notify applicants by email within one working day of a decision being made, and other interested parties by email and on our Internet site within three working days.

## What we ask of you

We ask you to provide comprehensive and accurate information in good time and to be straightforward in your dealings with us.

## Accessibility

We will keep you informed quickly and comprehensively about our activities. We also endeavour to make contacting us as easy as possible. Contact details conclude this charter.

Our primary method of communication is by email. We provide information about current cases directly to interested parties who ask for it via this means. We advise you of applications received, and Commission decisions about those applications. You can request our emails to attach copies of these documents, or simply for the emails to include links to the documents on our internet site. Please contact us if you wish to be added to either notification list.

Our Internet site at [www.iasc.gov.au](http://www.iasc.gov.au) provides up-to-date information about the Commission's business. It includes applications received, documents relating to current cases and all Commission determinations and decisions. Other important documents are on the site, including the Act and the Minister's policy statement, as well as the Commission's procedures.

If you do not have access to email or our Internet site, notifications and copies of documents can be provided to you by facsimile or post, or if you visit our offices.



## Monitoring and review

We will monitor our performance against our service commitments. We encourage you to comment on our performance, including by suggesting ways to improve our service. If you are dissatisfied with any aspect of our service, it is important that you tell us so we can address your concerns. Comments should be provided to the Commission's executive director by mail, email or telephone.

At the end of each year we will assess how we have performed against our service standards. We will invite your comments on our service performance, such as through a brief confidential questionnaire. The aggregated results of the assessments will be summarised in our annual report. If you wish to receive a copy of the annual report, please let us know and we will post it to you. Alternatively, the report can be downloaded from our Internet site.

We will also review annually the service charter itself, to ensure that it is meeting your requirements. This may include arranging an independent review from time to time.

## Contact details

### International Air Services Commission

<b>Telephone</b>	02 6267 1100
<b>Facsimile</b>	02 6267 1111
<b>Email</b>	<a href="mailto:iasc@infrastructure.gov.au">iasc@infrastructure.gov.au</a>
<b>Internet</b>	<a href="http://www.iasc.gov.au">www.iasc.gov.au</a>
<b>Postal address</b>	GPO Box 630, Canberra ACT 2601
<b>Premises</b>	Mezzanine level, 62 Northbourne Avenue, Canberra, ACT

# APPENDIX 9

## Commission office holders, 1992–2009

The following tables set out the Chairmen and Members of the Commission, and its Executive Directors, since the Commission was founded.

Chairs	Period	Members	Period
Stuart Fowler	July 1992 to April 1993	Brian Johns	July 1992 to June 1997
James Bain	July 1993 to June 1998	Russell Miller	July 1992 to June 1998
Russell Miller	July 1998 to January 2000	Michael Lawriwsky	December 1997 to February 2007
Michael Lawriwsky and Stephen Lonergan (Members presiding at alternate meetings)	January 2000 to August 2000	Stephen Lonergan	August 1998 to August 2004
Ross Jones	August 2000 to August 2003	Vanessa Fanning	November 2004 to November 2007
John Martin	November 2003 to the present	Philippa Stone	July 2007 to the present
		Ian Smith	November 2007 to the present

Executive Directors	Period
Tony Slatyer	July 1992 to November 1992
Ian Rischbieth	December 1992 to July 1995
Anne Buttsworth	August 1995 to October 1995
Neil Ada (acting)	October 1995 to May 1996
Danny Scorpecci	May 1996 to October 1997
Chris Samuel	October 1997 to February 2001
Michael Bird	February 2001 to the present

# APPENDIX 10

## Glossary of terms

<b>Act</b>	in this report, means the <i>International Air Services Commission Act (1992)</i> , as amended.
<b>Air services arrangement</b>	is a set of treaty and/or lower level understandings or arrangements between Australia and another country which permits the carriage by air of passengers or freight or both on agreed routes.
<b>Allocation</b>	a finding by the Commission, included in a determination, that an Australian carrier is permitted to use a specified amount of capacity.
<b>Australian carrier</b>	means a person who <ul style="list-style-type: none"><li>• conducts, or proposes to conduct, an international airline service to and from Australia; and</li><li>• under the air services arrangements to which the capacity applies, may be permitted to carry passengers or freight, or both passengers and freight, under that arrangement as an airline designated, nominated or otherwise authorised by Australia.</li></ul>
<b>Available capacity</b>	means that an operational decision is not in force in relation to an amount of capacity available under air services arrangements, so an Australian carrier may seek an allocation of some or all of that capacity.
<b>Benefit to the public</b>	occurs if the Australian carrier to whom the capacity is allocated uses that capacity.
<b>Blocked space</b>	a form of code sharing involving one airline purchasing a “block” of seats on another airline’s services, which it is then able to sell to the travelling public.
<b>Capacity</b>	is an amount of space available on an aircraft for the carriage of passengers and/or freight. It may be expressed within air services arrangements in various ways, such as in number of seats, units of capacity, or frequency of service, usually per week, in each direction on a route.
<b>Code sharing</b>	is a form of joint service between two carriers. It involves an arrangement under which one carrier sells capacity under its own name on flights operated by another airline.

<b>Commission</b>	means the International Air Services Commission, established by section 6 of the Act.
<b>Commissioner</b>	means a member of the Commission.
<b>Contested application</b>	involves two or more applicants seeking an allocation of the same limited amount of capacity.
<b>Decision</b>	affects an existing determination, either by confirming, varying, suspending or revoking it.
<b>Determination</b>	allocates capacity to an Australian carrier, usually for a period of five years, but in some cases for three years (an interim determination), or for ten years (where capacity is not limited under the air services arrangements in question).
<b>Department</b>	the Department of Infrastructure, Transport, Regional Development and Local Government.
<b>Financial viability test</b>	is a test applied to prospective new airlines by the Commission as part of its responsibility to ensure that capacity is allocated to an Australian carrier only if the carrier can demonstrate that it is reasonably capable of implementing its application.
<b>Free-sale</b>	a form of code sharing involving one airline selling seats on another airline's services and paying that other airline an agreed amount for the number of seats actually sold.
<b>Frequency</b>	refers to the number of flights that may be or are being operated, usually on a weekly basis.
<b>Hand-back</b>	where a carrier decides it no longer wishes to use allocated capacity, and applies to return some or all of the capacity.
<b>Interim determination</b>	is a determination that is in force for three years, rather than the five (or in some cases 10) years for a standard determination. It does not carry the rebuttable presumption in favour of an incumbent carrier that usually attaches to a standard determination.
<b>Joint service</b>	an arrangement entered into by an Australian carrier with another carrier to operate services on a joint basis. It may take different forms such as one or more of code sharing, joint pricing, or revenue and/or cost sharing or pooling. Australian carriers must receive approval from the Commission before using allocated capacity in joint services.
<b>Member</b>	means a member of the Commission.

<b>Minister's policy statement</b>	is a written instrument made by the Minister for Transport and Regional Services under subsection 11(1) of the Act. It sets out the way in which the Commission is to perform its functions under the Act.
<b>Ongoing employee</b>	is a person engaged under subsection 22(2)(a) of the <i>Public Service Act 1999</i> on an ongoing basis.
<b>Opposed application</b>	a situation in which an interested party makes a submission arguing that an application from a carrier should not be granted by the Commission.
<b>Reduced capacity</b>	where the amount of capacity allocated to a carrier is reduced, including to nil.
<b>Register of available capacity</b>	sets out the amount of capacity under each of Australia's air services arrangements available for allocation, after deducting any allocations already made by the Commission. The Department maintains the Register.
<b>Renewal determination</b>	a new determination that renews an allocation of capacity made under a determination that is approaching its expiry. It may involve updated terms and conditions at the Commission's discretion.
<b>Review</b>	involves an examination of an existing determination, either at the request of a carrier which wishes to vary the determination, or on the Commission's initiative if it is concerned that a carrier has or will breach a condition of the determination. In the case of a carrier-initiated review, the Commission may either vary the determination as requested by the carrier or confirm the determination. For a Commission-initiated review, the Commission may decide to confirm, vary, suspend or revoke the determination.
<b>Revocation</b>	a decision by the Commission to revoke (cancel) a determination.
<b>Route</b>	is the combination of origin, destination, intermediate and beyond points (cities) which an Australian carrier may serve under an air services arrangement.
<b>Slots</b>	time-specific landing and take off rights granted to a carrier to operate into and out of a particular airport, usually by the airport owner/operator.
<b>Use it or lose it</b>	a principle requiring allocated capacity to be used, or else be returned for reallocation.
<b>Variation</b>	a decision amending a determination, including conditions attached to it.

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