



Australian Government

International Air Services Commission

ANNUAL REPORT 2014–15

International Air Services Commission





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Annual Report 2014–15

© Commonwealth of Australia 2015
ISSN 1321-0653
ISBN 978-0-9751062-6-6
October 2015 / INFRA2558

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Designed by Department of Infrastructure and Regional Development

Staff photography by Peter Chin

Printed by New Millennium Print

Photographs provided from Qantas Airways Ltd, Virgin Australia Airlines Pty Ltd and Pacific Air Express



Australian Government
International Air Services Commission

The Hon Warren Truss MP
Deputy Prime Minister and
Minister for Infrastructure and Regional Development
Parliament House
CANBERRA ACT 2600

Dear Deputy Prime Minister

We are pleased to submit the twenty-third Annual Report of the International Air Services Commission, for the year ended 30 June 2015.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Douglas', written over a horizontal line.

Dr Ian Douglas
Commissioner

A handwritten signature in black ink, appearing to read 'John King', written over a horizontal line.

John King
Commissioner

7 August 2015



The International Air Services Commission is an independent statutory authority, established under the *International Air Services Commission Act 1992*. 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 and Regional Development.

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PART 1

The year in review by the Commissioners

It is our pleasure to provide an overview of the activities of the International Air Services Commission (the Commission) for 2014–15, the twenty-third year of Commission operations.

In 2014–15, we saw a steady growth of international passenger movements into and out of Australia, with an increase of 4.6 % in passenger traffic compared with last year. Airlines increased their capacity in response to this growth by 1.3% and load factors increased to 79%.

The growth of passenger movements in the last year was sustained against a backdrop of a weakening Australian dollar and several high profile fatal accidents. Malaysia Airlines, which had two high profile incidents, has recently announced a reduction in services to several Australian cities.

A majority of the work of the Commission in 2014–15, involved the renewal of capacity allocations. Additionally, both major Australian carriers, Qantas and Virgin Australia, sought and were granted new capacity allocations.

Qantas was issued additional 364 seats per week of passenger capacity on the Chile route to enable it to operate another weekly B747 service between Sydney and Santiago. This brought Qantas' capacity allocation on the route to a total of 1,483 seats per week. The Commission also authorised Qantas to code share with the LATAM Group. In authorising the code sharing arrangements, the Commission considered that the Qantas-LATAM code share would likely support the viability of Qantas' services between Australia and Latin America and noted that Aerolineas Argentinas ended its Buenos Aires-Sydney services in April 2014.

Qantas was also allocated 1,092 seats of capacity per week on the Canada route to enable the airline to operate B747 services between Sydney and Vancouver. In its public announcement, Qantas stated it would operate six direct return services between Sydney and Vancouver in January during the peak of the North American winter holiday season.

In December 2014, Qantas was allocated seven frequencies of capacity each week on the Japan route to serve Haneda Airport in Tokyo. Qantas subsequently scheduled

services between Sydney and Haneda Airport with operations to commence in August 2015. The existing Qantas service to Tokyo's Narita airport will operate from Brisbane rather than Sydney.

Qantas was also allocated unlimited passenger capacity between points in Australia (other than Sydney, Melbourne, Brisbane and Perth) and points in Fiji. Qantas' wholly-owned subsidiary, Jetstar Airways Pty Ltd, uses the capacity to operate services between the Gold Coast and Fiji that commenced in March 2015. Further, Qantas applied for and was granted renewal of one all-cargo frequency per week on the Hong Kong route.

During the reporting period, Qantas applied for and was granted renewal of capacity allocations on the Hong Kong, New Caledonia and Philippines routes.

In September 2014, Qantas was granted authority to code share with Sri Lankan Airlines beyond Singapore into Colombo. Virgin Australia was granted authority in 2013 to code share with Singapore Airlines on the same route enabling the airline to offer services to Colombo via Singapore.

Capacity allocations for Virgin Australia included additional capacity of 172 seats per week on the Papua New Guinea route. This additional capacity enabled the airline to expand its operations on the route offering supplementary services between Brisbane and Port Moresby at peak times. Virgin Australia was also granted renewal of certain capacity allocations on the Cook Islands, France (route 1), Thailand, Tonga and United Arab Emirates routes.

During the reporting period, Pacific Air Express continued to hold all-cargo capacity on certain Pacific routes enabling it to continue operating freight services between Australia and Papua New Guinea and Vanuatu. During the year, the airline returned two weekly services of freight capacity on the Nauru route, retaining one weekly service.

Tasman Cargo Airlines continued to hold unlimited all-cargo capacity on the Trans-Tasman route. The airline operates five freight services per week on that route.

Pionair continued to hold one all-cargo service per week with capacity up to 28 tonnes on the New Caledonia route and 18 tonnes of freight capacity on the Papua New Guinea route. The Commission issued these capacity entitlements in 2013 and the airline is yet to commence operations on the routes. During the year, the Commission issued two resolutions extending the dates of capacity utilisation by Pionair on these two routes as the airline completes the process of obtaining all regulatory approvals including an upgraded Air Operator's Certificate (AOC). Pionair is required to upgrade its current AOC to allow the airline to operate scheduled international services.

Government and stakeholder relations

The Commission values a positive relationship with its stakeholders. During the year, the Commission held open and productive meetings with senior executives of several airlines including Gareth Evans (Chief Executive Officer of Qantas International), Jane McKeon (Group Executive Government Relations of Virgin Australia) and Michael Lee

(General Manager, Pionair/ Skyforce Australia Pty Ltd). Such meetings between the Commission and its stakeholders provide value both ways. It provides the Commission a valuable insight into the strategic thinking of the airlines and offers industry stakeholders to have an insight into the Commission's decision-making processes.

In the last 13 months, the Commission has provided neutral submissions to two inquiries: the inquiry by the Australian Parliament's Joint Standing Committee on Foreign Affairs, Defence and Trade into Australia's trade and investment relationships with Middle Eastern countries and the inquiry by the Australian Competition and Consumer Commission into the application by Qantas and China Eastern to authorise their proposed Joint Coordination Agreement.

Appointments and administrative issues

The term of Dr Jill Walker as Chairperson of the Commission ended on 11 August 2014. The current Commissioners alternate as Presiding Officer at Commission meetings.

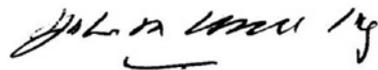
In October 2014, the Commission conducted a review and, after consultation with airline stakeholders, updated its procedures for deciding applications for the allocation of capacity and for reviewing existing determinations. The procedures are designed to be consistent with the International Air Services Commission Act 1992, the regulations, the Minister's Policy Statement and principles of natural justice.

In mid-2014, consistent with the requirement to reduce costs across the Australian Public Service, the Commission Secretariat was moved from its office in 62 Northbourne Avenue to 111 Alinga Street co-locating with the Aviation and Airports Division on Level 4. The relocation was effected on the basis of arrangements to maintain the separate identity and independence of the Commission.

As we review our performance during the year, we would like to take this opportunity to thank the Executive Director, Ms Marlene Tucker, and her small team for their invaluable advice and assistance in ensuring that the Commission functions smoothly and efficiently.



Dr Ian Douglas
Commissioner



Mr John King
Commissioner



Photo © Virgin Airways

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 Australia's international carriers under air services arrangements between Australia and other economies. In particular, the functions of the Commission are to:

- make determinations allocating capacity to Australian carriers in both contested and uncontested situations;
- renew determinations on application by carriers;
- 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. The Minister's policy statement 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 Minister's policy statement is a legislative instrument under section 11 of the Act. It is reproduced at Appendix 6.

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. Interim determinations are normally made when capacity is being allocated to a new Australian operator. 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 rebuttable presumption in favour of the carrier seeking renewal that the determination will be renewed as sought. The presumption does not apply if an initial new Australian carrier seeks to enter the route and there is not sufficient capacity available for that carrier to develop an efficient and sustainable operation (referred to as the 'start-up phase'). The presumption may also be rebutted, after the start-up phase on the route, if:

- ➔ the carrier seeking renewal has failed to service the route effectively; and
- ➔ if the use of the capacity in whole or part by another Australian carrier that has applied for capacity would better serve the public having regard to the criteria set out in paragraph 4 and 5 of the Minister's policy statement.

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 its allocated capacity to code share with another airline. The Commission conducts a review of the determination and as part of this process, it invites submissions about the application. In the case of applications to authorise code sharing, where the capacity that can be used for code share operations is available under the relevant air services arrangements, the Commission would generally be expected to authorise such applications. If the Commission has serious concerns that the proposed code share may not be of benefit to the public, it may subject the application to a more detailed assessment using the paragraph 5 criteria in the Minister's policy statement. Before doing so, it is required to consult the Australian Competition and Consumer Commission.

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 can occur, for example, where a carrier has been allocated capacity, but had not used that capacity by the time 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 5. 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 Act provides for a Chairperson and two Commission members. Currently, the Commission is comprised of two part-time members, Dr Ian Douglas and Mr John King. Dr Jill Walker completed her term as Chairperson of the Commission on 11 August 2014.

The membership of the Commission as at 30 June 2015 was as follows:

Dr Ian Douglas



Dr Ian Douglas was formally appointed by the Governor-General as a part-time Member of the Commission for a three-year term commencing on 8 November 2012. Dr Douglas is a Senior Lecturer in Aviation Management in the School of Aviation at the University of New South Wales (UNSW). He holds a Doctor of Business Administration and a post graduate qualification in Higher Education. His doctoral research addressed the impacts of state ownership and economic freedom on airline financial performance. His ongoing research interests encompass the areas of air transport economics and airline business model convergence. Prior to academia, Dr Douglas had a long career with Qantas Airways, with senior roles in pricing, business development, route management, strategic planning and the Joint Services Agreement with British Airways. Since leaving Qantas, he has consulted to a range of companies including Malaysia Airlines, Thai Airways International, Bain & Co Singapore, Icebox Advertising, Asian Wings Airways and Tourism Queensland. His teaching areas at UNSW Aviation include fleet and network planning, marketing and distribution strategy, and air transport economics.

Mr John King



Mr John King was formally appointed by the Governor-General as a part-time Member of the Commission for a three-year term commencing on 1 July 2013. Mr King had a 20-year career at Ansett including positions in human resources, international sales and industry affairs, before establishing the Pacific Airlines Division. This division operated Air Vanuatu, Polynesian Airlines and Ansett's own Pacific services.

In 1986, Mr King established Aviation and Tourism Management Pty Ltd, a consultancy providing strategic and policy guidance to airlines, governments and the tourism industry. Clients included the World Bank, the World Tourism Organization, Continental Airlines, Thai Airways, Gulf Air, Air Malta, Cathay Pacific and British Airways.

Mr King attended Melbourne University and the Australian National University where he graduated in Law. Mr King holds a Master's Degree in Transport Management from the University of Sydney.

Commissioners' attendance at meetings in 2014–15

Commissioner	Number of meetings possible	Number of meetings attended
Dr Jill Walker ¹	1	1
Dr Ian Douglas	7	7
Mr John King	7	7

¹ IASC Chairperson until 11 August 2014



Counter clockwise: Marlene Tucker – Executive Director, Dr Ian Douglas – Commission Member, John King – Commission Member, Neela Jacob – Administrative Officer.

The Secretariat

The Commission is assisted in its work by a small secretariat. The secretariat is staffed by officers of the Department of Infrastructure and Regional Development. The secretariat is headed by an executive director, supported on a part-time and ad hoc basis, by a senior adviser and administrative officer. These officers provide advice and assistance to the Commissioners on all aspects of the Commission's operations.

Communications with interested parties

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

- the Minister for Infrastructure and Regional Development;
- 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 those stakeholders. The Commission takes into account the views and/or interests of the stakeholders in its 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 stakeholders to provide 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 at pages 20 to 21.

The role of the Department of Infrastructure and Regional Development (the Department)

The Commission works closely with the Department, which has responsibilities complementary to those of the Commission. The Department is responsible for the negotiation and administration of air services arrangements between Australia and other economies. An important part of the negotiating process is to provide opportunities for Australian and foreign airlines to expand their services between Australia and other economies.



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 and is available on the Department's website:

<<https://infrastructure.gov.au/aviation/international/capacity.aspx>>.

An Australian carrier may apply to the Commission for allocation of capacity recorded on the register as available for immediate allocation. The entitlements on the Register of Available Capacity are adjusted as determinations allocating capacity are made by the Commission, as airlines hand back unused capacity and 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 area where the roles of the Commission and the Department intersect is in relation to applications from prospective new Australian airlines wishing to operate scheduled international services. Before allocating capacity to an applicant airline, the Commission must be satisfied that the airline is both reasonably capable of obtaining the regulatory approvals necessary to operate on the route and of implementing its proposed services on the route. The Department is responsible for designating and licensing Australian airlines to operate regular scheduled international services. This role is relevant to the Commission in relation to 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

The Commission's performance report is based on an assessment of its results for the year using a range of criteria. Three sets of criteria have been adopted by the Commission to enable a thorough assessment of all aspects of its operations. Broadly, the criteria encompass:

- how well the object of the Act has been met by the Commission's decision making;
- how fair and effective the Commission has been in dealing with applicants and interested parties; and
- how efficient the Commission has been in the use of financial resources available to it.

The Commission's assessment of its performance against each of these criteria is set out below.

Results against performance targets

Serving the object of the Act

The object of the *International Air Services Act 1992* is to enhance the welfare of Australians by promoting economic efficiency through competition in the provision of international air services. Under the Act, the Commission's functions are to make determinations; review determinations; and provide advice to the Minister about any matter referred to the Commission by the Minister concerning international air operations. In fulfilling its functions, the Act requires the Commission to comply with policy statements made by the Minister under section 11 and to have regard to Australia's international obligations concerning the operation of international air services.

The Commission records annually the number of determinations and decisions (involving reviews and variations of determinations) made for the year. The volume of activity varies from year to year for reasons which are unrelated to the Commission's performance. The dominant factor underlying the Commission's output is the number of applications made by airlines. The demand for new capacity from the Commission is directly related to the level of demand for air services. In turn, international aviation activity is particularly sensitive to changes in the strength of the global economy, as witnessed during the global financial crisis and other challenges facing the international community such as reported terrorist attacks and the outbreak of highly contagious and infectious diseases (for example, SARS, bird flu, MERS etcetera).

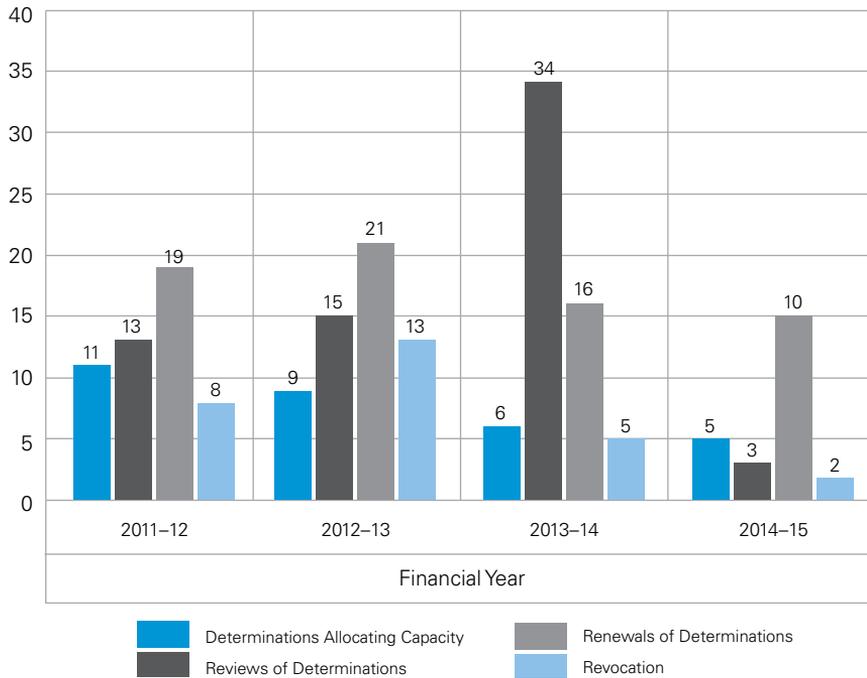
Last financial year, the Commission implemented the consolidation of determinations. The consolidation process enables an Australian carrier to bring together some or all of its existing capacity entitlements allocated in various determinations into a single determination. To date, Qantas has had its determinations consolidated on the South Africa, Indonesia, Hong Kong, Thailand and New Zealand routes.

The consolidation of determinations has considerably streamlined the capacity allocation process of the Commission as it lessened the number of applications for renewal of determinations and for variation of conditions. The consolidation of determinations made last year impacted the total number of applications made to the Commission this year.

This year, the Commission issued a total of 15 determinations (five allocations of new capacity and 10 renewals). The Commission issued five decisions (two revocations, one reduction of capacity and two resolutions extending the date of utilisation of capacity).

The graph below shows comparative data for the preceding three years.

Historical numbers of determinations and decisions



Historical numbers of determinations and decisions

Five determinations allocating new capacity were made during the year, one less than last year. The allocations reflected the expansion of overseas services by the major Australian carriers. Qantas was allocated 1,092 seats per week on the Canada route to enable the airline to operate B747 services between Sydney and Vancouver during the peak of the North American winter holiday season. Qantas was issued additional 364 seats per week of passenger capacity on the Chile route to enable it to operate another weekly B747 service between Sydney and Santiago bringing its total weekly services to four. Qantas was also allocated seven frequencies of capacity per week on the Japan route to serve Tokyo’s Haneda Airport. Qantas commenced services between Australia and Haneda Airport in August 2015. Qantas was also allocated unlimited passenger capacity between points in Australia (other than Sydney, Melbourne, Brisbane and Perth) and points in Fiji. The capacity is being utilised by Qantas’ wholly-owned subsidiary, Jetstar Airways Pty Ltd, to operate services between the Gold Coast and Fiji from March 2015. Virgin Australia was allocated additional capacity of 172 seats per week on the Papua New Guinea route. The additional capacity enabled the airline to expand its operations on the route during peak period offering supplementary services between Brisbane and Port Moresby.

A majority of the determinations issued were renewals of previously allocated capacity entitlements. The Commission renewed 35 tonnes of all-cargo capacity on the Papua New Guinea route in favour of Pacific Air Express. Qantas was given renewal of capacity allocations on the Hong Kong, New Caledonia and Philippines routes while Virgin Australia had its capacity allocations renewed on the Cook Islands, France – Route 1, Thailand, Tonga and United Arab Emirates routes.

Qantas had two determinations revoked: one determination on the New Caledonia route which allocated 150 seats of passenger capacity per week and a determination on the Korea route which allocated unlimited freight capacity. Pacific Air Express returned two weekly services and retained one weekly service on the Nauru route.

During the reporting period, the Commission also issued two resolutions upon the request of Pionair to extend the date of utilisation of the airline's capacity allocations on the New Caledonia and Papua New Guinea routes. As at the time of writing this report, Pionair was still working on the regulatory approvals including with the Civil Aviation Safety Authority (CASA) to obtain an upgrade of its Air Operator's Certificate.

The Commission continued the delegation of some of its decision making powers to the Executive Director for less complex and non-contentious cases. Drafts of delegate determinations and decisions were cleared by the Commissioners before finalisation. These arrangements are well established and improve the efficiency of decision making.

The delegate made about 80 per cent of the determinations and decisions issued during the year. This is due in part to the large number of non-complex and non-contentious applications by the airlines.

A brief summary of all determinations and decisions for 2014/2015 is at Appendix 1. A detailed description of each case is provided at Appendix 2.

The Commission's full determinations in these cases are available from its website, <www.iasc.gov.au>.

Case study – Code sharing arrangements

Introduction

In its annual report each year, the Commission includes an in-depth study of one of its more interesting cases to provide an insight into how it assesses applications which raise complex and difficult issues. This year's case study involves the issue of code sharing.

The issue

In recent years, code sharing and joint services arrangements between Australian and foreign carriers and between Australian carriers have become more of a norm than exception. A review of the services offered by Australian carriers based on the summary of airline timetable for the 2015 International Air Transport Association (IATA) Northern Summer scheduling period indicates the following:

- Qantas operates services to 16 countries in its own right, but markets services to 62 countries/economies from Australia. Only two of the offered services do not carry codeshares from its commercial partners, leaving 97 per cent of Qantas' offered services under some form of commercial cooperation;
- Virgin Australia operates services to 11 countries and markets services to 53 countries from Australia. Only three of the offered services do not carry codeshares, leaving 94 per cent of Virgin Australia's offered services under some form of commercial cooperation.

What is code sharing?

Code sharing allows one or more carriers to market their airline code and flight number on a service operated by another airline.

The carrier operating the flight is known as the 'operating carrier', while the non-operating carrier is known as the 'marketing carrier'. The carrier that issues the ticket to the passenger involving a code-share flight is known as the 'ticketing carrier'.

The operating carrier may have more than one code share partner on a particular route so that a given flight may carry multiple designator codes and flight numbers.

In principle, there is no limit to the number of marketing carriers on any one flight, though large numbers of codeshares on an aircraft can cause congestion on airport information displays.

For purposes of this study, it is recognised that a 'code share' may also form part of a more integrated 'joint service' arrangement.

Types of code share agreement

Free sale

The marketing carrier is given access to the operating carrier's inventory to allow it to market seats independently of the operating carrier.

The risk is entirely with the operating carrier since the marketing carrier is effectively an 'agent' marketing seats on the operating carrier. The marketing carrier pays the operating carrier only for the seats it utilises. For single sector journeys, the marketing carrier may receive a commission fee for the sale of a seat, much like a commission paid to a travel agent, or pay an agreed seat purchase price. Where an airfare is prorated over two or more sectors the marketing carrier may pass on an agreed prorate or an agreed seat price to the operating carrier.

Seat availability is determined solely by the operating carrier and it can decide to close seat availability in a booking class (RBD) at any time.

Blocked space

The operating carrier allocates the marketing carrier a certain number of seats for which the marketing carrier pays an agreed price.

Under a "hard block" the marketing carrier is responsible for the sale of its allocated seats. The marketing carrier has to pay the operating carrier for the block of seats irrespective of whether it sells the seats or not. Seat blocks are subject to the same problems that airlines face maximising revenue, which means that the block will not achieve higher than average seat factors in the long run. In periods of lower demand there is, therefore, in theory at least, a greater incentive for the marketing carrier to price competitively in order to sell seats for which it has paid (a sunk cost argument) than under a free sale arrangement where the airline has no incentive to lower prices below the seat price charged for seats utilised (a marginal cost argument).

Under a "soft" block code share agreement the marketing carrier has options to return seats forecast to remain unsold to the operating carrier at some stage before a flight, according to terms agreed between the carriers. The operating carrier may limit the amount of hand back allowed to avoid being in a situation where it is left with a large number of returned seats quite close to a flight departure. There may also be provisions for the other carrier to buy back seats from the other carrier if higher demand materialises for one or other brand.

Reasons for code sharing

Codeshare is a powerful tool for enhancing an airline's display in the Global Distribution Systems (GDS). Code share arrangements also broaden the network offer that airlines can make to customers in terms of the number of destinations and, in some cases, flight timings that an airline can offer to potential customers without the cost and

additional equipment required to operate the service. Code sharing therefore improves both a carrier's frequency and network reach.

Code sharing also supports distribution outside of an airline's home market, where partners bring brand strength in markets where the marketing carrier would otherwise have no profile (usually at the end of a route away from the airline's home country). This advantage is particularly effective where an airline flies into a partner's hub, and receives traffic feed from the partner's entire network through codeshares on connecting flights. Code sharing can be advantageous on thin routes where traffic is insufficient to support the operation of more than one aircraft daily, or on business routes where a greater frequency spread offers competitive advantage. Code sharing provides services beyond the points where an airline's own aircraft terminate.

In a 2007 study of European Union Airlines (Steer Davies Gleave 2007), airlines gave the following reasons when asked why they code share:

- A majority of the airlines surveyed claimed they code share to achieve network extension and better connectivity.
- They claimed code share arrangements offer greater choice, faster and more reliable transfers and uncomplicated itineraries.
- They claimed that higher load factors could be achieved with code sharing and eventually greater efficiencies could be achieved which would lead to more attractive prices.
- From an airline business perspective, code share arrangements enable airlines to spread risk and facilitate extra presence without the need to invest in new aircraft.

Legislative requirements

Under subsection 15(2) of the *International Air Services Commission Act 1992* (the Act), an Australian carrier cannot use the allocated capacity to provide joint services with another carrier without the prior approval of the Commission. The exception to this rule is where air services arrangements specify that code share seats by the marketing (non-operating) carriers are not counted against capacity entitlements available to Australian carriers¹. In this situation, the approval of the Commission is not required.

When considering an application from an Australian carrier to permit joint services or code share arrangements, the Commission applies the requirement under paragraph 3.6 of the Minister's Policy Statement dated 19 May 2004, a legislative instrument made pursuant to section 11 of the Act. Paragraph 3.6 reads as follows:

¹ In the late 1990s, the Department began negotiating air services arrangements to include provisions which specify that code share seats by the marketing (non-operating) carriers are not counted against capacity entitlements available to Australian carriers.

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.

The Commission would generally have serious concerns about a proposed code share arrangement if there is an absence of competition from other carriers operating direct services on the route. The Commission would also have initial concerns if the code share partners are direct competitors on the route. In assessing the competition benefits of the proposed code share arrangement, the Commission would generally have regard to the extent and nature of competition from other carriers on the route and the extent and nature of competition between the code share partners themselves.

Variation to code share arrangements

Where the Commission has permitted the Australian airlines to code share with other carriers, the determination containing such permission has also provided a condition that changes to the code share agreement would require prior approval by the Commission. The standard wording of the code share conditions included the following:

“the capacity may be used to provide services jointly with XXX in accordance with the code share agreement between AAA and XXX dated _____ or any subsequent code share agreement between the airlines whether or not it replaces the existing agreement, with the prior approval of the Commission”

In 2013, the Commission, recognising that a code share agreement could be changed multiple times, considered it was not necessary for it to approve minor changes to the code share agreement. In light of this, the Commission decided to change (prospectively) the wording of the condition in all future determinations it would issue to the following:

“the airline will advise the Commission of any proposed amendment to the code share agreement, or any proposed new code share agreement, that would result in a substantive change in the nature of the code share agreement”

There was concern from airline stakeholders that the term ‘substantive’ is not clear enough and that the Commission and the airline concerned may have a different view whether a particular change is ‘substantive’ or not.

After further deliberations and consultations with airline stakeholders, the Commission decided to adopt the following wording of the code share conditions:

- the capacity may be used by AAA Airline for code sharing (or other joint services) with XXX Airline;
- only free sale/block space code sharing is permitted on the route between the airlines;
- AAA Airline must apply to the Commission for approval if it proposes to change from a block space to a free sale code share arrangement [or vice versa], or to add third country routes on which the airlines propose to code share.

When an Australian carrier adds a new country route and Australian capacity will be used for services on that route, the carrier is required to seek approval from the Commission.

A query from an Australian carrier recently arose on whether adding a city pair within the same country route in an existing code share agreement previously approved by the Commission requires further approval by the Commission.

As the Commission issues determinations on a country rather than a city pair basis, it is the view of the Commission that the addition of a city pair, where that addition would not otherwise generate a need for additional capacity to be allocated, does not require further approval by the Commission. As part of a fully informed decision making process, the Commission appreciates ongoing advice from Australian carriers as these minor changes are implemented.

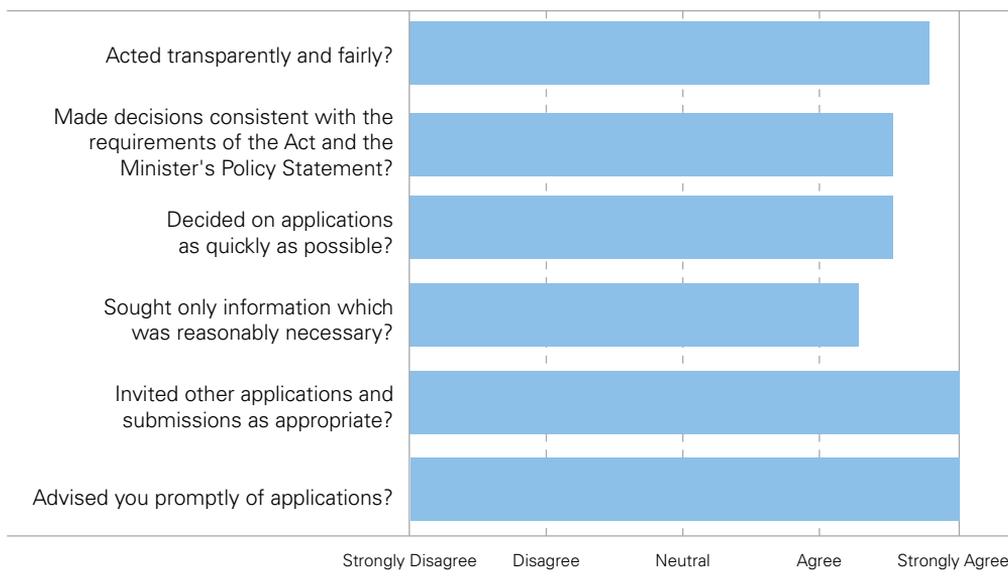
Serving applicants and interested parties

The Commission uses the detailed commitments set out in its service charter as the framework for assessing its service performance. The specific undertakings in the service charter encompass both the ways in which the Commission engages with interested parties and how it makes its decisions. This framework provides the basis for an objective assessment of the Commission's performance.

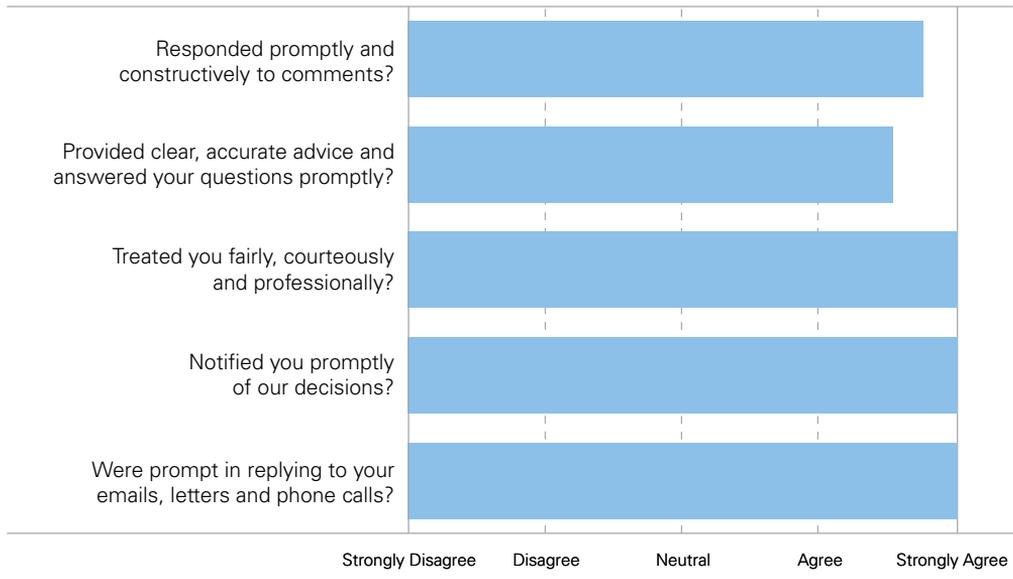
Again this year, clients were invited to assess the Commission's performance by completing an electronic questionnaire. The questions allow respondents to evaluate how well the Commission performed against each of the specific undertakings set out in the charter. Questionnaire responses may be made anonymously, although some of those responding chose to disclose their identity. The Commissioners very much appreciate the effort made by respondents to provide their views on the Commission's performance.

Respondent scores against each criterion are aggregated and averaged. The following charts show that clients continue to rate the Commission's performance positively.

Decision making process – Do you agree that we:



Dealings with stakeholders – Do you agree that we:



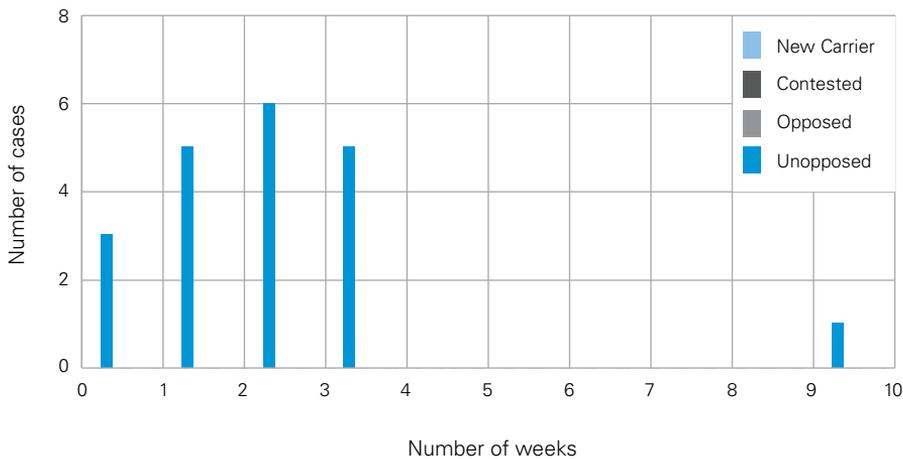
The Commission also records the time taken to make each of its decisions, as it considers timeliness to be a particularly important performance benchmark.

One of the commitments in the service charter is that the Commission will make decisions about uncontested and unopposed applications within four weeks of receipt and contested or opposed applications within 12 weeks, or inform the airline/s involved if there are reasons why a decision may take longer than this.

During the reporting period, all applications were uncontested and unopposed and were decided within the four-week timeframe as provided for in the service charter. There was only one matter (a renewal application by Qantas on the Philippines route) which took a longer period of nine weeks before a decision was made. This was because the Commissioners sought further information about the airline's operations on the route and requested a meeting with the airline's representatives.

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 the 16 renewal determinations. Renewals are initiated by the Commission on a time frame that suits airlines’ requirements and are generally uncontested.

Efficiency of financial resources

The Commission’s budget for the year was \$390,000. These funds were made available from the resources of the Aviation and Airports Division of the Department of Infrastructure and Transport (the Department). The Commission’s budget expenditure is mostly attributable to the salaries of secretariat staff and fees paid to Commission members and their expenses in connection with their travel to Canberra to attend meetings, the production of the annual report and general office needs. Most corporate overheads and property operating expenditure are paid for by the Department, as the Commission is housed in a departmental building.

The Commission’s total expenditure for 2014–15 was about \$344,400 – much less than the allocated budget. The budget anticipated the appointment of a Chairperson during the year and as no appointment was made, the Commission underspent its budget.

The Commissioners consider the expenditure to have been made efficiently and effectively. The Commission has delivered steady efficiency gains over a long period. On two separate occasions during the year, officers from the Department were temporarily seconded to the secretariat as acting senior advisers to perform special tasks. In mid-June 2015, another departmental officer joined the secretariat to provide administrative support to the Executive Director on a part-time basis.

Part 5 details the Commission’s financial performance.

PART 4

Management and accountability

Corporate governance practices

As the Commission is a small organisation, it requires less complex corporate governance structures than those of larger bodies such as Government departments. The Commission considers its corporate governance arrangements to be appropriate for its small size and consistent with its statutory role and responsibilities. There are two parts to the governance arrangements. The first of these addresses the Commission's responsibilities under the *International Air Services Commission Act 1992* (the Act). The second part of the governance structure concerns staffing of the Commission's secretariat and the expenditure of the Commission's budget.

Part 4 of the Act sets out procedures with which the Commission must comply. The Commission considers that it meets these requirements in full. The most significant of the requirements concerns the holding of meetings. The Commission usually meets at its offices in Canberra. However, when less complex issues are involved, Commissioners may hold meetings by teleconference. The use of electronic media for conducting meetings reduces travel costs associated with face-to-face meetings, representing a saving to the Commission's budget. A quorum of members is present at all meetings and determinations and decisions are made in accordance with the Act and the Minister's policy statement. Minutes are kept of proceedings at all of its meetings.

During their meetings, Commissioners discuss staffing, financial and risk management issues, 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 enables the Commission to hold hearings at its discretion. No hearings were held this year.

Part 5 of the Act deals with the membership of the Commission. The Chairperson and members are appointed by the Governor-General after approval by Cabinet, which considers recommendations of the Minister for Infrastructure and Regional Development

(the Minister). A member may be appointed on a full-time or part-time basis and the Minister may determine the terms and conditions of appointment on matters not provided under the Act. The Act also provides that a Commissioner may be appointed for a period not exceeding five years. Currently, all Commissioners have been appointed as part-time and for a period of three years. The Remuneration Tribunal sets members' remuneration pursuant to the *Remuneration Tribunal Act 1973*.

The Act further provides that the Minister may appoint a person to act as Chairperson under certain circumstances. In 2014, the Hon Warren Truss MP, Deputy Prime Minister and Minister for Infrastructure and Regional Development, appointed, on an interim basis, Dr Jill Walker to act as Chair until 11 August 2014 after her term as Chair (appointed by the Governor-General) ended on 8 February 2014.

Section 47 of the Act 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.

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 part of the Commission's corporate governance arrangements arises from the Commission's relationship with the Department of Infrastructure and Regional Development (the Department). Secretariat staff members are officers of the Department and are subject to the same responsibilities and obligations applying to all departmental staff. The Commission's executive director is responsible for the day to day management of the secretariat, in accordance with these obligations and responsibilities. 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

As at 30 June 2015, the secretariat was comprised of one full-time Executive Level 2 officer as Executive Director (Ms Marlene Tucker) and one part-time APS 5 officer as Administrative Officer (Ms Neela Jacob). During the reporting period, two officers from the Department (Messrs Glenn Smith and Edouard Pokalioukhine) were seconded on separate occasions to the secretariat for short periods of time to work on specific tasks. Both officers performed functions at Executive Level 1 as Senior Adviser.

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 on Commission matters.

The Department's human resource management policies and practices apply to secretariat staff. These include performance management arrangements, including six-monthly discussions about work performance and professional development. The Commissioners support the professional development of secretariat members by encouraging participation in appropriate study, training courses and conferences although no such activities were undertaken this year. 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.



The Commission members and secretariat officers as at 30 June 2015.

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, contractors and competitive tendering

During the reporting period, the Commission engaged the services of an Information Technology (IT) database expert (Mr Glenn Bloomfield) who was already engaged as a contractor in the Department's Information Services Branch. Mr Bloomfield designed and put together a new database for the Commission. The Commission paid Mr Bloomfield, through the Department's Information Services Branch, the total amount of \$44,484 for the design and establishment of the Commission's new database system.



Photo © Qantas Airways

PART 5

Financial report

Financial report as at 30 June 2015

	(1)	(2)	(3)	(4)
	2014–15 Budget \$'000	2014–15 Actual \$'000	Variation (Column 2–1) \$'000	2015–16 Budget \$'000
Salaries/ Commissioners' fees	319	282	37	300
Revenue	0	0	0	0
Supplier expenses	71	62.4	8.6	25
Total	390	344.4	45.6	325
Staff	1.5	1.5		1.5

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 and Regional Development. The Commission's offices are in a departmental building.



Photo © Virgin Airways

APPENDIX 1

Determinations and decisions

This table summarises briefly the determinations and decisions issued during 2014–15. A full summary is at *Appendix 2*. Individual determinations and decisions may be viewed on the Commission’s website at <www.iasc.gov.au>.

Route	Airline	IASC Number	Date	Unit	Capacity Allocated	Comment
Canada	Qantas	[2014] IASC 113*	25 Sep 14	1092	seats per week in each direction	Allocation of passenger capacity
Chile	Qantas	[2014] IASC 111 *	14 Aug 14	364	seats per week in each direction	Allocation of passenger capacity
Cook Islands	Virgin Australia Airlines (SE Asia)	[2014] IASC 114 *	20 Oct 14	180	seats per week with any aircraft type	Renewal of [2009] IASC 129
Fiji	Qantas	[2015] IASC 101 *	06 Jan 15		unlimited	Allocation of unlimited passenger capacity on the Fiji route
France	Virgin Australia International Airlines	[2014] IASC 118*	21 Nov 14	150	one way seats per day on an annual average basis	Renewal of [2010] IASC 120 on the France route and permits the use of capacity in joint services with Etihad and Singapore Airlines
Hong Kong	Qantas	[2014] IASC 110	01 Aug 14	1	frequency per week in each direction	Renewal of [2009] IASC 124
Japan	Qantas	[2014] IASC 120	16 Dec 14	7	frequencies per week in each direction	Allocation of capacity to serve Haneda Airport

Route	Airline	IASC Number	Date	Unit	Capacity Allocated	Comment
Korea	Qantas	[2015] IASC 202*	28 Apr 15			Revocation of [2010] IASC 103 which allocates unlimited freight capacity on the Korea route
Nauru	Pacific Air Express	[2015] IASC 203*	13 May 15			Variation of [2013] IASC 126 to reduce the capacity to one service per week
New Caledonia	Pionair	[2014] IASC R06	15 Aug 14			Extension of date of utilisation of capacity
New Caledonia	Pionair	[2015] IASC R01	28 Apr 15			Extension of date of utilisation of capacity
New Caledonia	Qantas	[2015] IASC 201*	25 Feb 15			Revocation of [2013] IASC 118
New Caledonia	Qantas	[2015] IASC 105*	24 Jun 15	239	seats per week in each direction	Renewal of [2010] IASC 112
Papua New Guinea	Pionair	[2014] IASC R06	15 Aug 14			Extension of date of utilisation of capacity
Papua New Guinea	Pionair	[2015] IASC R01	25 Feb 15			Extension of date of utilisation of capacity
Papua New Guinea	Pacific Air Express	[2015] IASC 103*	24 Apr 15	17.5	tonnes per week in each direction	Renewal of [2011] IASC 102
Papua New Guinea	Pacific Air Express	[2015] IASC 104*	05 Jun 15	17.5	tonnes per week in each direction	Renewal of [2010] IASC 105
Papua New Guinea	Virgin Australia	[2015] IASC 102	25 Feb 15	172	seats per week in each direction	Allocation of capacity in favour of Virgin Australia (SE Asia)
Philippines	Qantas	[2014] IASC 115	22 Dec 14	531	seats per week in each direction	Renewal of [2010] IASC 123

Route	Airline	IASC Number	Date	Unit	Capacity Allocated	Comment
Thailand	Virgin Australia International Airlines	[2014] IASC 117*	21 Nov 14	7	third party code share services per week in each direction	Renewal of [2010] IASC and allows the use of the capacity to provide services jointly with Singapore Airlines
Tonga	Virgin Australia Airlines (SE Asia)	[2014] IASC 112*	15 Sep 14	360	seats per week in each direction	Renewal of [2009] IASC 130
United Arab Emirates	Virgin Australia International Airlines	[2014] IASC 116*	21 Nov 14	3	frequencies per week in each direction	Renewal of [2010] IASC 118 and permits the use of the capacity to provide joint services with Etihad and Air Berlin



Photo © Pacific Air

APPENDIX 2

Route-by-route summary of Commission determinations and decisions in 2014–15

This appendix provides a summary of the Commission's determinations and decisions for 2014–15. Full determinations and decisions can be viewed on the Commission's website at <www.iasc.gov.au>.

Canada

Upon the application of Qantas, the Commission's delegate issued, on 25 September 2014, **Determination [2014] IASC 113** allocating 1,092 seats of capacity per week in each direction on the Canada route. The determination is valid for five years from the date of issue.

Chile

Upon the application of Qantas, the Commission's delegate issued, on 14 August 2014, **Determination [2014] IASC 111** allocating 364 seats of capacity per week in each direction on the Chile route. The determination is valid for five years from the date of issue.

Cook Islands

Upon the request of Virgin Australia, the Commission's delegate issued, on 20 October 2014, **Determination [2014] IASC 114** which renewed **Determination [2009] IASC 129** allocating 180 seats per week on the Cook Islands route. The determination is valid for five years from 13 October 2015.

Fiji

Upon the application of Qantas, the Commission's delegate issued, on 6 January 2015, **Determination [2015] IASC 101** allocating unlimited passenger capacity per week in each direction on the Fiji route. The determination is valid for 10 years from the date of issue.

France – Route 1

Upon the request of Virgin Australia, the Commission's delegate issued, on 21 November 2014, **Determination [2014] IASC 118** which renewed Determination [2010] IASC 120 allocating 150 one way seats per day on the France route. The determination authorises Virgin Australia to provide joint services with Etihad and Singapore Airlines on the route. The determination is valid for five years from 25 October 2015.

France – Route 3 (New Caledonia)

Upon the request of Pionair, the Commission issued Resolutions [2014] IASC R06 and [2015] IASC R01 on 15 August 2014 and 25 February 2015, respectively, extending the date of utilisation of the capacity allocated under Interim Determination [2013] IASC 128. Pionair is required to fully utilise one all-cargo service per week with capacity up to 28 tonnes on the France – Route 3 (New Caledonia) from no later than 31 July 2015 or such other date approved by the Commission.



Upon the request of Qantas, the Commission's delegate issued, on 28 April 2015 **Decision [2015] IASC 201** revoking Determination [2013] IASC 118 which allocated 150 seats of capacity per week on the France Route 3 (New Caledonia).



Upon the request of Qantas, the Commission issued, on 24 June 2015, **Determination [2015] IASC 105** renewing Determination [2010] IASC 112 which allocates 239 seats of passenger capacity per week in each direction on the France Route 3 (New Caledonia) route. The determination is valid for five years from 21 May 2016.

Hong Kong

Upon the request of Qantas, the Commission's delegate issued, on 1 August 2014, **Determination [2014] IASC 110** renewing Determination [2009] IASC 124 which allocated one frequency per week in each direction of all-cargo capacity on the Hong Kong route. The new determination is valid for five years from 14 July 2015.

Japan

On 1 December 2014, Qantas applied for an allocation of seven frequencies per week in each direction on the Japan route to serve Haneda Airport. On 16 December 2014, the Commission issued **Determination [2014] IASC 120** allocating seven frequencies per week in each direction on the Japan route to serve Haneda Airport. Qantas is required to fully utilise the capacity by no later than 31 December 2015 or from such other date approved by the Commission. In addition to Qantas, an Australian carrier which is a wholly-owned subsidiary of Qantas is also permitted to use the capacity.

Additionally, the capacity may be used by Qantas to provide joint services with any wholly-owned subsidiary and by any wholly-owned subsidiary of the Qantas Group to provide joint services with Qantas.

Korea

Upon the request of Qantas, the Commission's delegate issued on 28 April 2015 **Decision [2015] IASC 202** revoking Determination [2010] IASC 103 which allocated unlimited freight capacity on the Korea route.

Nauru

Upon the request of Pacific Air Express, the Commission's delegate issued on 13 May 2015 **Decision [2015] IASC 203** varying Determination [2013] IASC 126 to reduce the capacity to one service per week in each direction on the Nauru route.

Papua New Guinea (PNG)

Upon the request of Pionair, the Commission issued Resolutions [2014] IASC R06 and [2015] IASC R01 on 15 August 2014 and 25 February 2015, respectively, extending the date of utilisation of the capacity allocated under Interim Determination [2013] IASC 129. Pionair is required to fully utilise 18 tonnes of all-cargo capacity on the PNG route from no later than 31 July 2015 or such other date approved by the Commission.



On 17 February 2015, Virgin Australia applied for 172 seats of capacity per week in each direction on the PNG route. On 25 February 2015, the Commission issued **Determination [2015] IASC 102** allocating the requested capacity to Virgin Australia. The determination is for five years from the date of issue. The additional capacity enabled Virgin Australia to expand its operations on the PNG route during peak period by offering supplementary services between Brisbane and Port Moresby.



On 16 April 2015, Pacific Air Express applied for renewal of Determination [2011] IASC 102 which allocated 17.5 tonnes of all-cargo capacity per week in each direction on the PNG route. On 24 April 2015, the Commission's delegate issued **Determination [2015] IASC 103** renewing the determination. The determination is for five years from 5 April 2016.



On 28 May 2015, Pacific Air Express applied for renewal of Determination [2010] IASC 105 which allocated 17.5 tonnes of all-cargo capacity per week in each direction on the PNG route. On 5 June 2015, the Commission's delegate issued **Determination [2015] IASC 104** renewing the determination. The determination is for five years from 15 June 2015.



Philippines

Qantas applied for and was granted renewal of Determination [2010] IASC 123 which allocated 531 seats per week of capacity on the Philippines route. On 22 December 2014, the Commission issued **Determination [2014] IASC 115** renewing the determination. The determination is for five years from 25 October 2015.

Thailand

On 31 October 2014, Virgin Australia applied for renewal of Determination [2010] IASC 119 which allocated seven third party code share frequencies on the Thailand route. On 21 November 2014, the Commission's delegate issued **Determination [2014] IASC 117** renewing the determination. Virgin Australia is permitted to use the capacity to provide services jointly with Singapore Airlines. The determination is valid for five years from 25 October 2015.

Tonga

On 4 September 2014, Virgin Australia applied for renewal of Determination [2009] IASC 130 which allocated 360 seats of capacity per week in each direction on the Tonga route. On 15 September 2014, the Commission's delegate issued *Determination [2014] IASC 112* renewing the determination. Virgin Australia is permitted to use the capacity to provide services jointly with Singapore Airlines. The determination is valid for five years from 8 September 2015.

United Arab Emirates (UAE)

On 31 October 2014, Virgin Australia applied for renewal of Determination [2010] IASC 118 which allocated three frequencies per week in each direction on the UAE route. On 21 November 2014, the Commission's delegate issued *Determination [2014] IASC 116*, renewing the determination. Virgin Australia is permitted to use the capacity to provide services jointly with Etihad Airways and Air Berlin. The determination is for five years from 25 October 2015.

APPENDIX 3

Other information

Occupational health and safety

As the staff members of the secretariat are employees of the Department of Infrastructure and Regional Development, (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 IASC is an agency subject to the *Freedom of Information Act 1982* (the FOI Act). Major reforms of the FOI Act in 2011 required relevant agencies to comply with the Information Publication Scheme (IPS) set out in Part II of the FOI Act. In compliance with the IPS requirements, the Commission has established an Information Publication Plan which is available on its website <<http://www.iasc.gov.au/foi/ipp.aspx>>.

The Commission also makes available on its website information about its organisational structure; its functions including its decision-making powers and other powers affecting the public; the membership of the Commission including biographical notes of the current Members of the Commission; copies of its annual reports; its legislative framework and its guidelines and procedures; copies of all determinations and decisions issued; applications including submissions in relation to the applications (if any); contact details of the Commission and its Executive Director; and the Commission's operational information. Operational information refers to the information held by the Commission to assist it in performing or exercising its functions or powers in making decisions or recommendations affecting the public.

The information contained in this report meets the requirements of the FOI Act, as amended. Refer to Appendix 4 for further details.

The IASC received no requests under the FOI Act in 2014–15.



Advertising and market research

The Commission does not advertise its functions and services. During the reporting period, the Commission did not pay any person for advertising or for performing any market research.

The Commission maintains its own website <www.iasc.gov.au> which provides details about its functions, the applications it receives and determinations/ decisions it has issued, among other matters. The Commission updates its website on a regular basis.

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 4

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 on the Commission's website. Formal requests under the FOI Act must be made in writing to the FOI contact officer of the Commission. The Commission maintains a dedicated FOI page on its website which sets out the information required to be published under section 8 of the FOI Act.
Arrangements for public involvement	Formal participation and consultation can be arranged by contacting the Executive Director of the Commission whose details are listed below. 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 the Act. 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 under the FOI Act is held by the IASC Chairperson. On 19 August 2013, the Chairperson authorised the Executive Director, and in his/her absence, the Senior Adviser, to exercise the Chairperson's powers and functions under the FOI Act.



Item	Information
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 website. 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 and How it is organised	<p>The functions of the Commission, as set out in section 6 of the <i>International Air Services Commission Act 1992</i>, are to:</p> <ul style="list-style-type: none"> (a) make determinations; (b) conduct reviews of those determinations; and (c) provide advice to the Minister about any matter referred to the Commission by the Minister concerning international air operations.
	<p>The organisation of the Commission is described in Part 2 of this report.</p>
FOI Contact Officer	<p>The Executive Director, and in his/her absence, the Senior Adviser is the Commission's FOI contact officer. Any request or query on FOI matters may be directed to the:</p> <p>International Air Services Commission GPO Box 630 Canberra ACT 2601 Australia Phone: (612) 6267 1100 Email: iasc@infrastructure.gov.au</p>

APPENDIX 5

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 consistent with the Minister's policy statement which compliments the Act. They are intended to ensure procedural fairness for both the applicants and other interested parties; ensure the Commission's processes are open and transparent; and provide guidance to anyone wishing to apply for, or make submissions about, matters being considered by the Commission. The secretariat provides further individual guidance to applicants for capacity and other stakeholders when requested.

The Commission's procedures incorporate the following main steps:

- A Register of Public Documents is created for each route and is made available for viewing. 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 and is held on the Commission's confidential register. All public documents are published on the Commission's website and distributed electronically to all stakeholders in its mailing list. Any member of the public may request to be included in the Commission's mailing list.
- The Commission will publish a notice inviting 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.
- The Commission will assess the application in accordance with the relevant criteria set out in the Minister's Policy Statement. 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 carrier.



- ➔ Where relevant, invite the applicant(s) to submit further information addressing public benefit criteria.
- ➔ The Minister’s policy statement requires the Commission to ensure that the applicant is reasonably capable of obtaining the approvals necessary to operate and of using the capacity if so granted.
- ➔ A hearing may be conducted by the Commission 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.
- ➔ The Commission will publish a draft determination 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 proposal prior to the issuing of a final determination. In other cases the Commission will proceed directly to a final determination.
- ➔ The Commission regularly updates its procedures. They are available from the Commission’s website at <<http://www.iasc.gov.au>>, or upon request to the Commission.

APPENDIX 6

Minister's policy statement

International Air Services Policy Statement No. 5 dated 19 May 2004
made pursuant to section 11 of the
International Air Services Commission Act 1992

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 of Transport and Regional Services. 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:
 - (i) are reasonably capable of obtaining the necessary approvals to operate on the route; and
 - (ii) 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

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

Other Criteria

- (e) 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.
- 6.5 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:
 - (i) if the determination is an interim determination – 3 years; or
 - (ii) if the determination is not an interim determination – 5 yearsunless 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:
 - (i) if the determination is an interim determination – 3 years; or
 - (ii) if the determination is not an interim determination – 10 years.



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APPENDIX 7

Service Charter

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

From the Chairwoman

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.

Dr Jill Walker

Chairwoman

About the Commission

The Commission is an independent statutory authority comprised of three part-time Commissioners – a Chairperson and two members – supported by a small secretariat. It is established under the *International Air Services Commission Act 1992* (the Act). The aim of the Act is to enhance the welfare of Australians by promoting economic efficiency through competition in the provision of international air services.

Our role is to allocate capacity available under Australia's bilateral air service agreements 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 and Transport. If an application meets the criteria, we make a determination granting capacity to the airline concerned. We also decide on airlines' applications to vary determinations, usually to allow for code sharing, and to renew determinations.

For more straightforward cases, we have authorised our delegate, usually the Commission's executive director, to make determinations and decisions on our behalf.

The Commissioners decide on the more complex applications. In either case, you can expect the same high level of service from us and our staff.

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 web site at <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 and Transport;
- Australian and State government departments and agencies; and
- the aviation industry media and analysts.

Our services to you

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

- act with as little formality as possible;
- 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 website 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, circumstances permitting; and
- notify applicants by email within one working day of a decision being made, and other interested parties by email and on our website as soon as practicable thereafter.

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. We also ask that you cooperate fully in response to requests for information that we think is relevant to a matter before 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 by this means. We advise you of applications received, and Commission decisions about those applications. We can email copies of these documents to you, or provide links to the documents on our website. Please contact us if you wish to be added to either notification list.

Our website at <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.

Feedback and improving our service

We will monitor our performance against our service commitments. We encourage you to comment on our performance, including suggesting ways in which we can improve our service. 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 through a brief confidential questionnaire. The aggregated results of the assessments will be summarised in our annual report.

Making a complaint

We regard complaints as part of the feedback process which helps us improve our performance.

If you are dissatisfied with any aspect of our service, it is important that you tell us so we can address your concerns. If you have a complaint you should first try to resolve the issue with the secretariat staff member you dealt with. If you are still not satisfied you should contact the executive director.

Review

We will review this charter through an ongoing consultative process with our stakeholders to ensure that it is meeting your requirements.

Contact details

International Air Services Commission

Telephone: (02) 6267 1100
Facsimile: (02) 6267 1111
Email: iasc@infrastructure.gov.au
Internet: www.iasc.gov.au
Postal address: GPO Box 630, Canberra ACT 2601
Premises: Level 4, 111 Alinga Street, Canberra, ACT

APPENDIX 8

Commission office holders, 1992–2015

The following tables set out the Chairpersons and Members of the Commission since the Commission was established in 1992.

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 November 2009	Philippa Stone	July 2007 to July 2010
Philippa Stone and Ian Smith (Members presiding at alternate meetings)	November 2009 to June 2010	Ian Smith	November 2007 to February 2011
Ian Smith and Stephen Bartos (Members presiding at alternate meetings)	July 2010 to February 2011		
Jill Walker	9 February 2011 to 11 August 2014	Stephen Bartos	1 July 2010 to 30 June 2013
Ian Douglas and John King (Members presiding at alternate meetings)		Ian Douglas	8 November 2012 to present
		John King	1 July 2013 to present

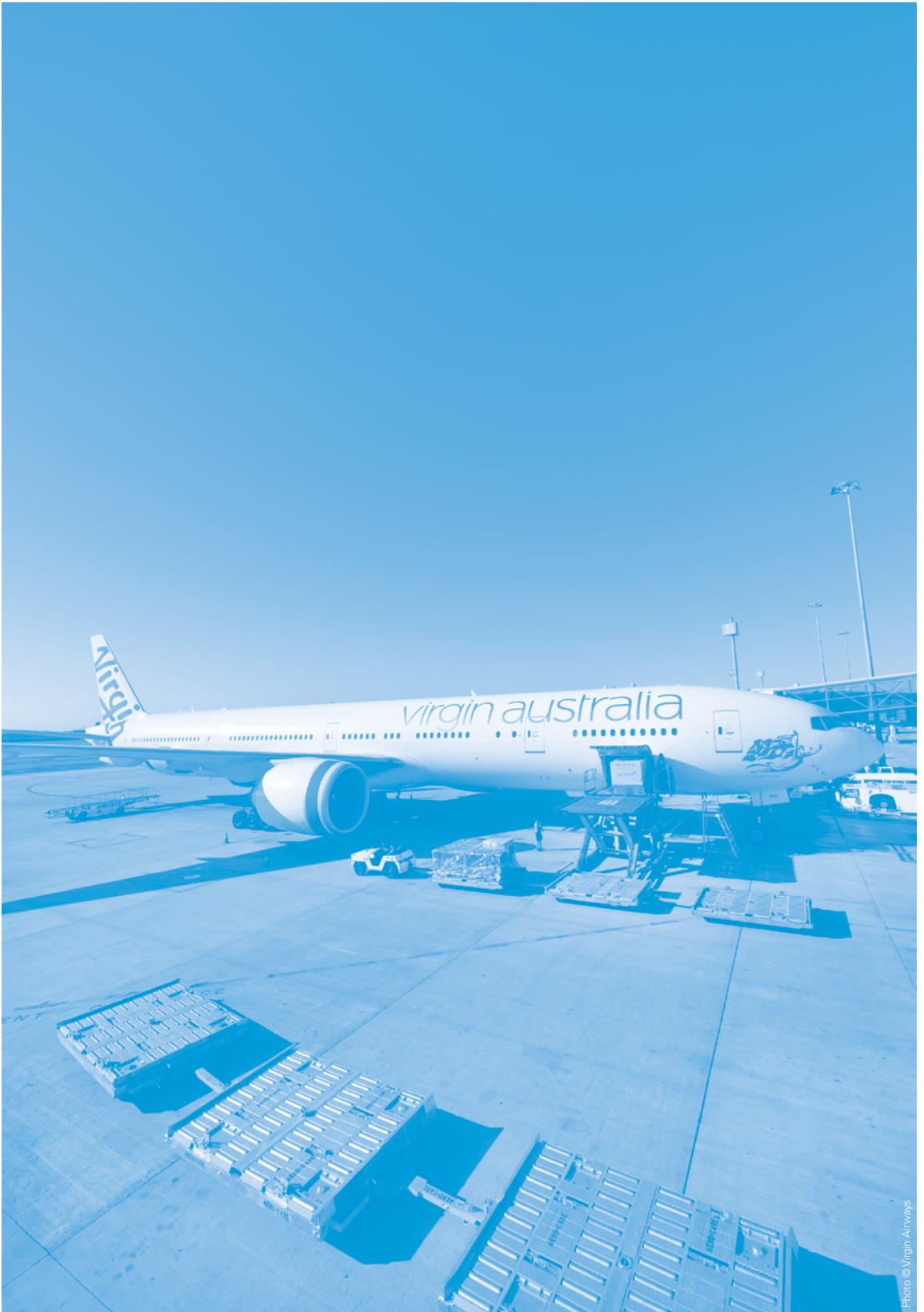


Photo © Virgin Airways

APPENDIX 9

Glossary of terms

Act	in this report, means the <i>International Air Services Commission Act 1992</i> , as amended.
Air services arrangement	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.
Allocation	a finding by the Commission, included in a determination, that an Australian carrier is permitted to use a specified amount of capacity.
Australian carrier	means a person who <ul style="list-style-type: none">• conducts, or proposes to conduct, an international airline service to and from Australia; and• 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.
Available capacity	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.
Benefit to the public	occurs if the Australian carrier to whom the capacity is allocated uses that capacity.
Bird flu	means avian influenza

Blocked space	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.
Capacity	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.
Code sharing	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.
Commission	means the International Air Services Commission, established by section 6 of the Act.
Commissioner	means a member of the Commission.
Contested application	involves two or more applicants seeking an allocation of the same limited amount of capacity.
Decision	affects an existing determination, either by confirming, varying, suspending or revoking it.
Determination	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).
Department	means the Department of Infrastructure and Regional Development.
Free-sale	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.
Frequency	refers to the number of flights that may be or are being operated, usually on a weekly basis.
Hand-back	where a carrier decides it no longer wishes to use allocated capacity, and applies to return some or all of the capacity.
IASC	means the International Air Services Commission, established by section 6 of the Act.

Interim determination	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 at the renewal stage.
Jetstar	means Jetstar Airways Pty Ltd.
Joint service	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.
Member	means a member of the Commission.
MERS	means the Middle East Respiratory Syndrome Coronavirus.
Minister's policy statement	is a written instrument made by the then Minister for Transport and Regional Services in 2004 under subsection 11(1) of the Act. It sets out the way in which the Commission is to perform its functions under the Act.
Opposed application	a situation in which an interested party makes a submission arguing that an application from a carrier should not be granted by the Commission.
Pacific Air Express	means Pacific Air Express (Australia) Pty Ltd.
Pionair	means Pionair Australia Pty Ltd.
Qantas	Qantas Airways Limited
RBD	means Reservation Booking Designator.
Reduced capacity	where the amount of capacity allocated to a carrier is reduced, including to nil.
Register of available capacity	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 and is publicly available on its website.
Renewal determination	a new determination that renews an allocation of capacity made under a determination that is approaching its expiry. It may include updated terms and conditions at the Commission's discretion.



Review	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.
Revocation	a decision by the Commission to revoke (cancel) a determination.
Route	is the combination of origin, destination, intermediate and beyond points (cities) which an Australian carrier may serve under an air services arrangement.
SARS	means Severe Acute Respiratory Syndrome.
Use it or lose it	a principle requiring allocated capacity to be used, or else be returned for reallocation.
Variation	a decision amending a determination, including conditions attached to it.
Virgin Australia	refers to Virgin Australia International Airlines Pty Ltd and/ or Virgin Australia Airlines (SE Asia) Pty Ltd.

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