

HeavyLift

CARGO AIRLINES PTY LTD

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**Mr Dilip Matthews
Executive Director
International Air Services Commission
PO Box 630
CANBERRA ACT 2601**

Dear Sir,

Application in increase in capacity – Papua New Guinea route

HeavyLift Cargo Airlines Pty Limited applied for an increase in its capacity allocation on the Australia to Papua New Guinea route by letter dated 15 June 2009. By letter dated 18 June 2009, Pacific Air Express (Australia) Pty Limited wrote to the Commission seeking the same capacity.

Accordingly, we now address the additional public benefit criteria as set out in paragraph 5 of the Minister's Policy Statement.

Competition benefits

HeavyLift presently operates services from Brisbane to Port Moresby using its current capacity allocation. Two other Australian carriers, Qantas and Virgin Blue, already service that route with wide body capacity and lower hold capacity in their aircraft. The Pacific Air Express application indicates an intention to operate a further service on that route.

In contrast, the HeavyLift request involves utilisation of capacity between Cairns and Port Moresby, a route which is presently only served by carriers from Papua New Guinea in small turboprop aircraft. Allocation of the capacity to HeavyLift will allow competition on that sector to be increased and accordingly a better service provided. The tariffs charged by HeavyLift are also somewhat lower than those charged by the Papua New Guinea carrier on the route and that will be an additional benefit to competition. Moreover, existing cargo capacity utilises belly hold space and the space available in the HeavyLift aircraft will enable a much broader range of cargo to be carried between Cairns and Port Moresby.

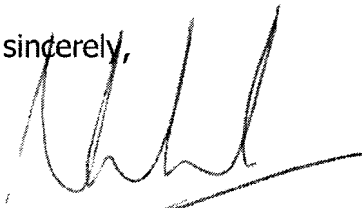
HeavyLift also has contracts in place to carry cargo between Port Moresby and Cairns, namely fresh tuna for transshipment to Japan on Qantas aircraft ex Cairns which would otherwise operate with limited cargo uplift from Cairns. The shipment of the tuna via

Cairns rather than via Brisbane creates a significant time-saving which is particularly important in respect of fresh cargo.

The addition of Cairns as a destination from Papua New Guinea will increase other trade opportunities (including Mining and Oil exploration equipment) and certainly provides an alternative port which is much closer to PNG to be used by those wishing to transport cargo between the two countries.

Both applicants for the existing capacity seek to utilise aircraft charged from overseas and accordingly there is no particular benefit as between the two applications. In HeavyLift's submission, the key factor is the addition of a particular route not presently serviced by an Australian carrier. It should also be noted HeavyLift agreed to reduce capacity requested on this route to allow Australian Air Express (Qantas) to operate on the route. Australian Air Express (Qantas) have suspended operations on the route and it was envisaged HeavyLift would be allocated the reduced capacity conceded if and when Australian Air Express (Qantas) reduced or suspended services.

Yours sincerely,

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

NICHOLAS LEACH
Chief Executive