

16th August, 2009

Mr. Michael Bird
Executive Director
International Air Services Commission (IASC)
Department of Infrastructure, Transport, Regional Development and Local Government
PO Box 630
Canberra ACT 2601

Dear Mr. Bird,

Reference: Draft Determination 117/2009 - Papua New Guinea Route

I wish to express my concern at the approval by the IASC of capacity over the referenced route, as per the above referenced Determination.

Respectfully following submitted points are drawn to your attention, in an effort to highlight general concerns at the Board's decision.

1. HeavyLift applied for shelf capacity during the period 02NOV07 to 15NOV07, and was approved an additional 26t of capacity to its (then) existing capacity of 40 ton capacity per week.
2. Part 5.3 of the Determination, referenced IASC 122 (2007) listed as Public Register File IASC/APP/200722 of 10th December 2007, states in part: "HeavyLift is required to fully utilize the capacity from no later than 31 March 2008 or such other date approved by the commission."
3. In their letter of 15th June 2009, HeavyLift addresses:
 - a. their need for additional capacity into and from Port Moresby from the weekly uplift of 66 tons, by an additional 16.5t;
 - b. lists a series of scheduled services that indicates their regular operation of 3 flights per week into POM;
 - c. proposes an additional flight between POM and CNS for the uplift of 11 tons of tuna product per week; and,
 - d. includes a statement that they operate charter services (in addition to their approved capacity) to offer additional uplift capacity.
4. In support of the HeavyLift's application, supporting documentation was submitted by:
 - a. Sanko Bussan (dated 17 July 2009), in which they state:
 - i. they have contracted HeavyLift to carry marine products on their behalf;
 - ii. tuna exports will increase by over 500% in the immediate future;
 - iii. their cargo is destined for Japan, transshipped over Cairns; and,
 - iv. only the 727 can carry the goods - as the 737-300 freighter is only capable of an uplift of 12 tons per flight into CNS.

- b. Word-Link International (also dated 17 Jly 2009) in which they state:
 - i. their fresh produce business will increase between Cairns and port Moresby; and,
 - ii. CNS is the port of choice from which their product will be sourced.
- 5. Under the Freedom of Information Act 1982, data relating to the operation of air services by HeavyLift between Australia and PNG, was obtained from Airservices Australia.
 - a. This data included flights from July 2007 to July 2009 inclusive.
 - b. In summary the following services were operated from Brisbane:
 - i. 2007 JUL-DEC inclusive
 - 1. 21 flights - 433 tons available capacity
 - 2. an average of 0.8 flights/16.6t per week
 - ii. 2008 JAN-DEC inclusive
 - 1. 104 flights - 2202 tons available capacity
 - 2. an average of 2.0 flights/42.3 t per week
 - iii. 2009 JAN-JUL inclusive
 - 1. 52 flights and 951 tons available capacity
 - 2. an average of 1.7 flights/31.6 t per week
 - c. In addition, over the same period, HeavyLift also operated (within the flights so listed):
 - i. a small number of services from Cairns to Port Moresby;
 - ii. almost weekly services onward beyond Port Moresby to Honiara thence Brisbane (since November 2008); and,
 - iii. large numbers of freight-charter flights were conducted on behalf of Air Niugini between January and April 2008.
- 6. Since the IASC approval of additional capacity, to that of 66 ton per week in DEC07:
 - a. HeavyLift have not operated the flights nor capacity approved under Determination 2007/122;
 - b. in their application for further capacity - reference in paragraph 3 above - they overstated their current schedule of services operated (part 3(b) above);
 - c. under the terms of the Determination, they have not complied with part 5.3 (as indicated in part 2 above).
- 7. In reference to the communication by Sanko Bussan to the IASC (reference 4(a) above):

- a. the 5 fold expansion of uplift demanded by Sanko can be accommodated by the present capacity offered by HeavyLift in their present schedule as:
 - i. there are no restrictions in present markets available to HeavyLift in the present IASC Determination or bilateral agreement between the two States;
 - ii. HeavyLift have recorded less than 2 tons average per week available capacity over the POM-CNS market in the past 18 months;
 - iii. the reference to the 737-300 Freighter's capability to restrict uplift to 12,000 kg is over the POM-CNS route is grossly in error as:
 1. Qantas sought and were approved 17.5 tons per flight when they applied for capacity over the same route;
 2. Boeing performance analysis documentation clearly shows the aircraft is capable of operating this service at maximum structural revenue payloads, based on standard winds and temperatures for the market, approved alternates and adequate reserves (even beyond normal minimums)
8. In reference to the letter of support by World-Link, as noted in para. 4(b) above):
 - a. HeavyLift has adequate capacity capability to provide for their needs; and,
 - b. as indicated in part 7(a)1 above, without restrictive market capability contained in the present bilateral, additional market capability is easily allocated by HeavyLift without the need for additional tonnage required.

Finally, please find attached at graphical summary of the capacity offered by HeavyLift over the Australia-PNG market.

Whilst I do not have the availed tonnage uplifted on HeavyLift services over the 2 year period sampled, use of available capacity as a prime indicator of their need for the capacity is a good indicator if their application is: (a) in support of the general public as a en efficient and economical air cargo carrier; or (b) an effort to control the market in terms of capacity, tariffs, and/or other commercial interests.

At this time it would appear that HeavyLift have embarked on a process of market monopoly over the Australia-PNG route.

Should you wish to discuss any or all of the above noted points in detail, please contact the undersigned by email or mobile phone.

Yours sincerely

(signed)

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