



2 July 2009

Michael Bird  
International Air Services Commission  
GPO Box 630  
CANBERRA ACT 2601

By facsimile: (02) 6267 1111

Dear Mr. Bird,

We refer to your letter of 22 June 2009 inviting our company to address the paragraph 5 criteria contained in the Minister's policy statement.

As requested by the Commission we are pleased to offer the following additional information in support of our application:

**Competition Benefits**

There is presently only one freight airline servicing the Australia-PNG route. Heavylift Cargo Airlines use a single B727-100 freighter aircraft on two scheduled services weekly between Brisbane and Port Moresby. Our proposed service will introduce competition on this route which will provide a greater choice of service providers to the air freight industry.

Pacific Air Express proposes operating a B737-300 freighter on this route. The B737-300F has a 2700kg lower payload than the B727-100F but a greater volumetric capacity. Our company has access to a back-up B737-300F based at Brisbane which will ensure that our scheduled service can be maintained. This will also increase support for our freighter service in the air freight market.

Our B737-300F is more fuel efficient than the B727-100F so our operating costs are less affected by large increases in fuel prices. This also assists our company to compete effectively with other freighter airlines over the same route.

**Other Benefits**

**a) Tourism Benefits**

As this application relates to freighter services only, there are no tourism benefits in the Australian market.

**b) Consumer Benefits**

Our proposed weekly freighter services will give consumers a wider choice of freight rates, schedules and service delivery. The Pacific Air Express Group of companies has over 16 years experience in providing reliable and efficient scheduled freighter services in the Australia - south west Pacific region, and our freight facility at

Brisbane airport allows our staff to assist Australian consumers personally with their air freight requirements.

**c) Trade Benefits**

Pacific Air Express provides a competitive and reliable freighter service for Australian exporters and importers backed by more than 18 years experience of operating international dedicated freighter services to serve Australian exporters. PAE has demonstrated a proven track record in developing freighter services in the Southwest Pacific region, and understands the additional effort required to foster market growth through working closely with shippers, airport operators, government agencies and trade advisors, and business associations.

**d) Industry Structure**

Allocating capacity to Pacific Air Express will permit the company to provide airfreight services on a route where there is presently no competition. Our company's servicing of its current freight customers (who also have operations in PNG) indicates significant opportunity for expansion of freight carried on this route.

The addition of this service to the PAE group's existing scheduled and charter freighter services will result in economies of scale which will ultimately reflect in continuing to maintain a long term competitive and reliable service to PNG and weather the inevitable depressed market conditions which occur from time to time over the normal international business cycle.

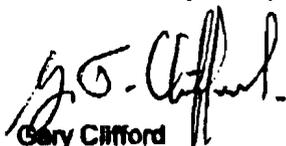
**e) Other Criteria**

Our proposed freighter service will utilize a B737-300 freighter which has a smaller environmental "footprint" than older aircraft such as the B727-100F. The B733F is much quieter, and burns around 10 tonnes less fuel on a typical Brisbane – Port Moresby – Brisbane flight than the B727F. Additionally the CFM56 engines powering the B733F emit significantly less CO2 and NOx gases than the 40 year old B727F currently being used on the route. We believe the Australian public would desire the Commission to include also the environmental impact of aircraft operations when considering the merits of our application for allocation of freight capacity.

We look forward to a favourable consideration of our company's application for an allocation of freight capacity on the Australia – PNG route.

Yours sincerely,

**Pacific Air Express (Australia) Pty Ltd**

  
Gary Clifford  
Managing Director