

1 November 2016

Ms. Marlene Tucker
Executive Director
International Air Services Commission
GPO Box 630
Canberra ACT
2601

Marlene

Dear ~~Ms. Tucker~~,

SUBMISSION: AIR FREIGHT ASPECTS OF THE COMMISSION'S DRAFT DECISION CONCERNING THE VARIATION OF QF/PX CODE SHARING ON THE PNG ROUTE

As a dedicated cargo airline operating scheduled freighter services on the Aust-PNG route Pacific Air Express (PAE) wishes to present for the Commission's consideration our views concerning the air freight aspects of the Draft Determination.

PAE noted the concern of the Commission that there was a possibility that Air Niugini may be forced to reduce the frequency of B767 wide body services on the Brisbane sector, with a consequent reduction in palletized/containerized freight capacity which could adversely impact the air freight segment of the aviation market.

The Commission noted that Air Niugini carried 3200 tonnes of air cargo on the PNG route in FY 2016. We believe most of this cargo would have been carried on its B767 wide body services. The Commission expressed its concern that if wide body services were reduced this cargo volume would be well beyond the small bulk load capacity of daily narrow body services.

In our view the Commission has overlooked the ability of PAE's dedicated freighter service to provide scheduled freight capacity to shippers at comparable cost to the wide body services currently provided on the Brisbane sector. BTRE data will confirm that PAE carried 1400 tonnes of air cargo on the PNG route in FY 2016 and has a significant capability to absorb additional air cargo displaced by any reduction in wide body services on the Brisbane sector.

PAE's current allocation of freight capacity on the PNG route on an annual basis is 2730 tonnes (3 x B737F services weekly). The remaining unused 1330 tonnes currently available to the market would offset a reduction of 2 x B767 wide body services weekly on the Brisbane sector. Should there be any further reduction in widebody services PAE is capable of obtaining additional freight allocation allowing an increase to 4 x B737F services weekly which would provide 3640 tonnes of scheduled freighter capacity annually on the Brisbane sector.

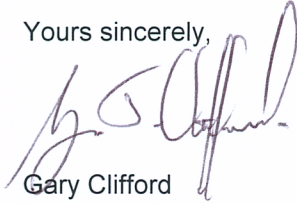
In summary, the Commission should be reassured that a change in passenger market conditions leading to a reduction in wide body services should not result in major disruption to the air cargo market, or a shortage of palletized/containerized freight capacity. Any loss of belly freight capacity resulting from a reduction of up to 2 x B767 widebody services weekly on the Brisbane sector could be accommodated by existing scheduled freighter services at comparable freight rates. Utilisation of additional shelf freight capacity available on the PNG route would provide the air cargo market with an available (unused) freight capacity of 2240 tonnes annually which would offset an aggregate reduction of up to 4 x B767 widebody services weekly on the Brisbane sector.



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We trust this submission will be of assistance to the Commission's understanding of the PNG air cargo market and the alternative means available to offset any reduction of wide body freight capacity on the Brisbane sector.

Yours sincerely,



Gary Clifford
Managing Director