



**Australian Government**

**International Air Services Commission**

**INTERNATIONAL AIR SERVICES COMMISSION  
ANNUAL REPORT 2006–07**



**International Air Services Commission**  
annual report 2006–2007

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**Australian Government**  
**International Air Services Commission**

The Hon Anthony Albanese MP  
Minister for Infrastructure, Transport, Regional Development  
and Local Government  
Parliament House  
CANBERRA ACT 2600

Dear Minister

We are pleased to submit the fifteenth Annual Report of the International Air Services Commission, for the year ended 30 June 2007.

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

Yours sincerely

Handwritten signature of John Martin.

John Martin  
Chairman

Handwritten signature of Philippa Stone.

Philippa Stone  
Commissioner

Handwritten signature of Ian Smith.

Ian Smith  
Commissioner

10 December 2007

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## Part 1 — Review by Chairman

I am pleased to report on a year of successful results for the Commission in its fifteenth year of operations. There was much diversity in our activities this year.

Australia will have two new international airlines, following decisions taken by the Commission. During the year, the Commission allocated capacity to Queensland Regional Airlines for it to operate services between Cairns and Papua New Guinea. After detailed consideration of the airline's application, the Commission found the carrier to be reasonably capable of obtaining the necessary operating approvals and of implementing its proposal. Queensland Regional Airlines is expected to start daily services late in 2007, using a de Havilland Dash-8 turboprop aircraft. Although its operations are not large in scale, this new airline will provide important competition on the Papua New Guinea route.

During the year, the Virgin Blue group kept the Commission advised informally of its plans to commence long haul international services between Australia and the United States. In a significant development post-30 June 2007, the Commission received an application from Virgin Blue International Airlines for capacity to operate B777-300 services on the South Pacific route between Australia and the United States from November 2008. The Commission allocated capacity to the airline in July. This important decision will be the subject of more detailed reporting in next year's annual report.

The Commission made several decisions enabling the further expansion of Jetstar on Australia's international routes. During the year Jetstar, a wholly-owned subsidiary of Qantas, successfully entered several new overseas markets, taking advantage of rights provided to it by the

Commission last year. Jetstar has replaced Australian Airlines as Qantas' overseas subsidiary operator, with Australian Airlines having ceased operations in July 2006. As a result of the Commission's further decisions this year, Jetstar will be able to extend its network reach into new markets in Asia.

Qantas was granted rights by the Commission to expand its own passenger services to various countries, including Malaysia, China, Canada and Vanuatu. In recent years, Qantas has increased its presence in international freight markets and this trend continued in 2006–07 with the Commission allocating to Qantas unlimited freight capacity for operations on the United Arab Emirates route.

Also in the freight arena, the Commission allocated twenty five tonnes of freight capacity per week to HeavyLift Cargo Airlines on the Solomon Islands route. This airline now operates a network of all-cargo services within the south-west Pacific region.

Over the course of the year, the Commission renewed a number of determinations which were due to expire, in response to requests from airlines for renewal. It also amended or revoked various existing determinations in response to applications from carriers. In total, the Commission made forty five determinations and decisions during the year. This compared with a total of forty nine last year.

An important area of the Commission's work this year concerned applications by Qantas and Jetstar to code share with each other and with other international airlines. The policy statement given to the Commission by the Minister for Transport and Regional Services sets out the



expectation that the Commission would normally authorise applications by Australian carriers to code share with other airlines. However, in cases where the Commission considers that a code share proposal raises significant competition concerns, it may subject the application to detailed examination.

The Commission approved code sharing between Qantas and Jetstar on several routes in Asia. It also authorised code sharing by Japan Airlines on Jetstar's services to Japan. Qantas was granted approval to code share with foreign carriers on routes to Hong Kong, Korea, Singapore and Thailand.

There were two applications for code sharing which the Commission subjected to detailed public benefit examination. The first application was from Qantas, to continue code sharing with South African Airways on the South Africa route. Under the arrangements between these two airlines, Qantas flies between Sydney and Johannesburg, while South African Airways operates between Perth and Johannesburg. Each airline buys a block of seats on the other carrier's flight. This enables both operators to sell seats to passengers for travel between Johannesburg and either of the two Australian cities. After careful assessment, the Commission granted authority for this code share arrangement to continue until 31 December 2007. More details about this important case are contained in the body of this report.

The second major code share review related to code sharing between Qantas and Air Niugini on the Papua New Guinea (PNG) route. The Commission was aware that PNG's Independent Consumer and Competition Commission (ICCC) had decided to review the code share arrangements in 2007. As the Commission's existing authorisation of the arrangements was due to expire on 30 June 2007, the IASC invited the ICCC to

work together in reviewing the arrangements concurrently. The ICCC accepted this invitation and the two authorities have enjoyed a constructive and beneficial working relationship in conducting their respective reviews in parallel. As at 30 June, the review process was well advanced, with draft decisions expected to be published by both Commissions early in 2007–08. In May 2007, the Commission granted an interim extension from 30 June 2007 to the end of February 2008 for Qantas and Air Niugini to continue code sharing while the joint review process was being carried out.

At year's end, we invited our clients to provide feedback on our performance against the standards in our service charter. The responses were very positive.

In February 2007, Dr Michael Lawriwsky left the Commission following the completion of his third three-year term of appointment. Dr Lawriwsky has the distinction of being the longest serving member of the Commission and I thank him for his outstanding contribution to the work of the Commission over such an extended period. It was a pleasure to have worked with Dr Lawriwsky during my time as Chairman.

It was also a pleasure to welcome Ms Philippa Stone on her appointment as a member of the Commission on 2 July 2007, just after the end of the financial year covered by this report. I am sure that Ms Stone, a partner in a prominent Australian legal firm, will make a fine contribution to the Commission's work.

In concluding, I join with my fellow Commissioners, Ms Fanning and Ms Stone, in thanking the members of the Secretariat for their excellent advice and support throughout the year. We look forward to the challenges of 2007–08.

John Martin  
Chairman

## Part 2 — Commission overview

### 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, and
- 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 role is to serve the object of the Act by allocating capacity entitlements to Australian carriers for the operation of international airline services. The capacity allocated by the Commission is drawn from entitlements available to Australian airlines under air services arrangements between Australia and other countries. More specifically, the functions of the Commission are to:

- make determinations allocating capacity and to renew those determinations
- conduct reviews of determinations, and
- provide advice to the Minister about any matter referred to the Commission by the Minister concerning international air operations.

A policy statement by the Minister for Transport and Regional Services instructs the Commission about the way in which it is to perform its functions and specifies the criteria to be applied by the Commission in performing its functions in

various circumstances. It also provides guidance to the Commission on related matters. The policy statement is a disallowable instrument under section 11 of the Act and is reproduced at *Appendix 7*.

Determinations are made for a period of five years on routes where capacity or route entitlements are restricted. Where capacity 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. Where a carrier requests that a determination be made for a shorter period than this, the Commission has the option to do so.

Carriers normally wish to renew determinations and the Commission is required to start reviews of existing determinations at least one year before they expire. Except for interim determinations, there is a rebuttable presumption in favour of the carrier seeking renewal.

From time to time, carriers apply to the Commission to vary determinations. The Commission conducts a review in response to such requests. If the Commission agrees to a request, it issues a decision amending the determination. The Commission itself may initiate a review of a determination if it considers that there may be grounds for varying, suspending or revoking a determination.

The Commission has published procedures it follows in making determinations. A summary of the procedures is set out at *Appendix 6*. procedures are intended to ensure that applicants and other interested parties understand the requirements for making applications, are familiar with the Commission's decision making processes, and are aware of their rights and obligations.

## Executive profile

The Commission comprises a part-time Chairman and two part-time members. The membership of the Commission at 30 June 2007 was as follows:



Mr John Martin, Chairman; Ms Vanessa Fanning, Member and Ms Phillipa Stone, Member

### Mr John Martin

Mr John Martin, Chairman (appointed in November 2003 for a three year term and reappointed for a second three year term ending in November 2009). Mr Martin is a Commissioner with the Australian Competition and Consumer Commission (ACCC) where he has responsibility for matters relating to small business and is Chairman of the ACCC Transport Committee.

Mr Martin was Executive Director of the Australian Chamber of Commerce and Industry from 1989 until his appointment to the ACCC in June 1999. Previously Mr Martin had policy management roles in the Commonwealth Treasury and Industry Department and was for several years a regional industrial consultant with the United Nations based in South East Asia. Mr Martin has an Economics degree from the ANU.

### Ms Vanessa Fanning

Ms Vanessa Fanning, Member (appointed in November 2004 for a three year term ending in November 2007). Vanessa Fanning was Managing Director of Health Services Australia from 1998 to 2005. Prior to taking up this

position she had fourteen years experience at top management levels in the transport and infrastructure industries spanning both private and public sectors. As Head of the Aviation Policy Division in the Federal Department of Transport from 1992 to 1995 she oversaw and implemented policy formulation and wide ranging pro competitive reforms liberalising the provision of domestic and international aviation services within and to Australia, the development of new regulatory arrangements for the privatization of the federal airports and led the policy oversight of the Government's aviation business enterprises including Qantas and the Federal Airports Corporation in the lead up to their privatization. She oversaw the development of the policy and legislation governing the International Air Services Commission and the appointment of the first Commission. She also led Australian international delegations to the ICAO and headed the Australian team in the more complex bilateral negotiations such as those with the USA, Japan, Hong Kong and China. In 1997 she accepted an appointment with the global transportation company TNT as Group Manager Public Policy, a position she held until 1997. Ms Fanning has a B Ec from ANU and a BA from the University of Melbourne.

### Dr Michael Lawriwsky

Dr Lawriwsky's third three year term of appointment with the Commission concluded in February 2007.

### Ms Philippa Stone

Shortly after the end of the current reporting year, on 2 July 2007, Ms Philippa Stone was appointed to the Commission for a three year term. Ms Stone is a partner in international legal firm Freehills, specialising in equity raisings, mergers and acquisitions and listed company reconstruction. She has been involved in a number of Australia's largest equity raisings and landmark privatisations and financial services sector acquisitions over the past twenty years, and heads Freehills' Equity Capital Markets Group. Ms Stone advised the Commonwealth Government on the sale of Sydney Airport and acted on recent airport transactions involving the

Northern Territory, Adelaide, Townsville, Mt Isa, Bankstown, Camden and Hoxton Park airports. She is a member of the Government's Business Regulatory Advisory Group and the Australian Stock Exchange's Listing Appeals Committee.

### The Secretariat

The Commission is supported by a Secretariat staffed by officers of the Department of Transport and Regional Services (DOTARS). The Secretariat is headed by an Executive Director, supported by a Senior Adviser and an Office Manager. These officers provide advice and assistance to the Commissioners on all aspects of the Commission's operations.

### Commissioners' attendance at meetings in 2006–2007

COMMISSIONER	NUMBER OF MEETINGS	NUMBER OF MEETINGS ATTENDED
Mr Martin	7	7
Ms Fanning	7	7
Dr Lawriwsky	4	4



Those pictured from left to right are: Vanessa Fanning, Member; Michael Bird, Executive Director (back); John Martin, Chairman; Dilip Mathew, Senior Analyst (back); Philippa Stone, Member; and Anita Robinson, Office Manager

## Communications with interested parties

There are many parties with a direct or indirect interest in what the Commission does.

They include:

- the Minister for Transport and Regional Services
- existing and prospective Australian international airlines
- the wider 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 these parties. Account is taken of the views and/or interests of these parties in the Commission's decision making processes. Regular electronic notification of applications and the Commission's determinations and decisions ensures that interested parties are kept up to date with the Commission's activities.



## The role of the Department of Transport and Regional Services

The Commission works closely with the Department of Transport and Regional Services (DOTARS), which has complementary responsibilities to those of the Commission. DOTARS negotiates Australia's air services arrangements with the aeronautical authorities of other countries. These arrangements include entitlements for Australia's carriers to operate agreed amounts of capacity on agreed routes. This capacity is available for allocation by the Commission to airlines which apply to use it. Available capacity entitlements are recorded in a Register of Available Capacity maintained by DOTARS. These entitlements are adjusted as determinations allocating capacity are made by the Commission, when unused capacity is handed back by airlines, or when DOTARS negotiates new capacity entitlements on behalf of the Government.

The Commission and DOTARS liaise on matters such as whether applicant airlines are likely to be reasonably capable of obtaining the approvals necessary to operate on a route and of implementing their proposals. This is a particularly important process in relation to potential new carriers which do not have an established operational record.

DOTARS is also responsible for designating and licensing airlines to operate scheduled international services. A carrier must hold an allocation of capacity from the Commission before it can be licensed to operate.

## Part 3 — Report on performance

### Overview of Commission performance

The Commission has evaluated its performance for the year against three criteria. These are whether the Commission has:

- served the object of the Act effectively
- dealt fairly and appropriately with applicants and other interested parties, and
- made efficient and effective use of its financial resources.

To undertake this evaluation, the Commission analysed its performance against the requirements of the Act and specific standards adopted by the Commission. The Commission considers that it has performed well against all three criteria as discussed in detail below.

### Results against performance targets

#### Serving the object of the Act

The Commission considers that its most important performance criterion is to serve the object of the Act effectively and that this is achieved when the Commission makes its determinations and decisions in accordance with the requirements of the Act and the Minister's policy statement. In the Commission's view, all determinations and decisions made this year accorded fully with these requirements, including following required notification processes and applying the appropriate decision making criteria in each case. No interested parties raised concerns with the Commission about its decision making processes.

Under authority contained in the Act and regulations, the Commission has for some time now delegated certain of its decision making powers, allowing the delegate to make determinations and decisions on behalf of the Commission in certain circumstances.

These arrangements are now well established and accepted by applicants and they worked smoothly again this year. About sixty five percent of all determinations and decisions were made by the delegate in 2006–07.

#### Serving applicants and interested parties — performance against service charter

The Commission uses the undertakings set out in its service charter as the benchmarks for assessing its performance in the delivery of services to applicants for capacity and other interested parties. The Commission's service commitments are in two parts. The first of these sets out undertakings about the way in which the Commission will endeavour to deal with those who interact with it. The second set of commitments covers the way in which the Commission aims to conduct its decision making processes.

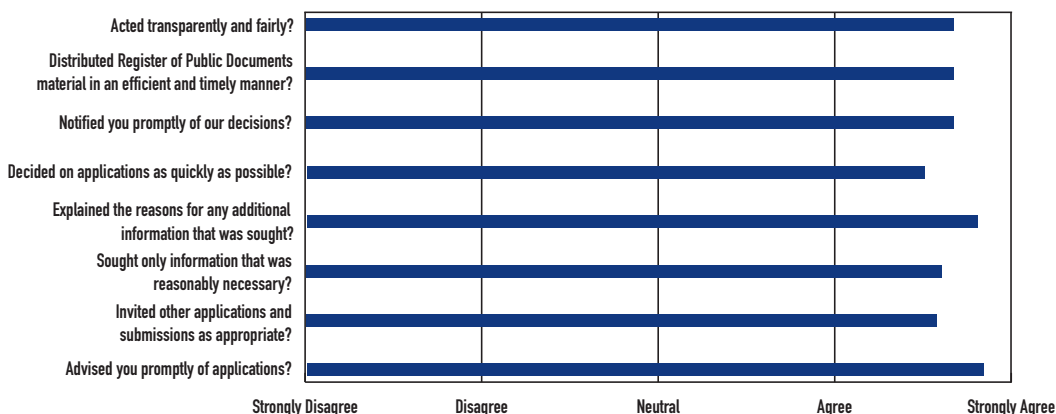
At year's end, the Commission's clients were invited to respond to a brief electronic questionnaire about the Commission's performance over the year. The questions align with the service charter commitments. Respondents can complete the questionnaire anonymously, or provide contact details if they wish to discuss any part of their response with Commission staff. The Commission thanks those who responded to the opportunity to provide feedback about its performance. The average of respondent ratings for each indicator is set out in the following two charts.

Although a fairly small number of responses were received, the Commission was pleased that the feedback was very positive across all indicators. This suggests that clients are satisfied with the Commission's performance.

### Deals with stakeholders — Do you agree that we:



### Decision making process — Do you agree that we:



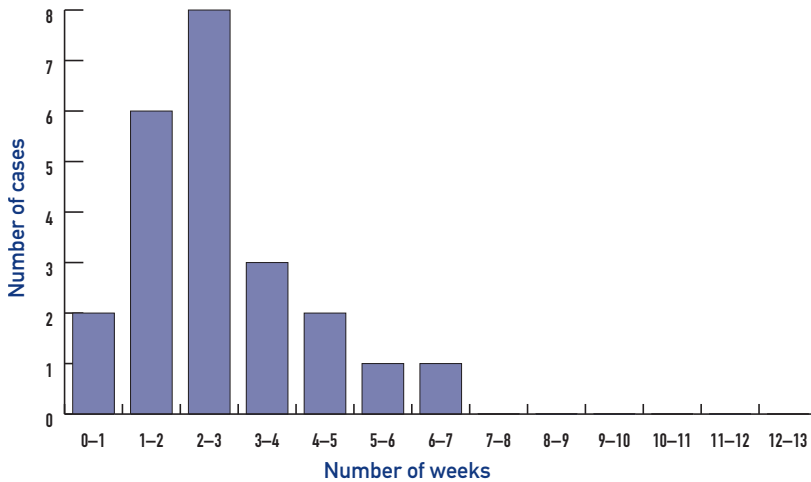
The Commission supplements its feedback from interested parties with its own quantitative monitoring of the timeliness of its decision making. Detailed information about the Commission’s performance in this important area is set out in the following chart. There are two timeliness benchmarks. The first is a four week goal for uncontested and unopposed applications from the date of receipt of an application to the date of publication of determinations or decisions. Uncontested and unopposed cases involve a single applicant with no submissions opposing the granting of the application.

This year, the average time taken to conclude consideration of uncontested and unopposed applications was 2.8 weeks, quicker than the four weeks benchmark. The result compares with

an average time of 2.6 weeks in 2005–06 and 3.3 weeks in 2004–05. Only four of the forty five cases for the year took longer than four weeks to conclude and none exceeded seven weeks. The delegation by the Commission of many of its decision making powers to a DOTARS officer (in practice, officers of the Secretariat), noted earlier, enables quick decision making in the more straightforward cases. The Commission dealt with the more complex cases, such as code share applications where it had concerns about competition aspects of particular proposals.

For contested or opposed applications, the Commission aims to publish determinations or decisions within twelve weeks from the date of initial application. There were no applications in this category this year.

### Distribution of decision times



Note: The chart does not include renewal determinations. These are initiated by the Commission on a time frame that suits airlines' requirements.

Turning to reporting of the number of determinations and decisions, in line with past practice the Commission did not set a quantity performance target. The volume of determinations and decisions issued varies from year to year for several reasons unrelated to the Commission's performance.

The main determinant of the number of determinations and decisions made is the number of applications received from airlines, which in turn depends on a range of factors. These include growth in demand for travel to and from Australia and the capacity and route opportunities available to Australian carriers under Australia's air services arrangements with other countries. In periods of weak demand, airlines typically make fewer applications and so the Commission has less business to deal with. When travel demand is stronger, Australian carriers plan for growth in their operations and the number of determinations and decisions made by the Commission is generally higher.

Another factor is the variable number of determinations expiring each year. This means that more determinations are renewed in some years compared with others.

Although no quantity target is set, the Commission considers that there is value in recording the number of its determinations and decisions each year. The data provides a guide to the level of output achieved for the amount of Government resources allocated to the Commission. However, the raw numbers do not provide insight into the complexity of particular cases and resources associated with them. The data are of general interest in illustrating the downstream effect of changing levels of international aviation activity on the Commission's work levels.



The following graph shows the number of determinations and decisions made by the Commission in 2006–07, compared with the previous three years. In historical terms, the Commission produced about an average number of determinations and decisions this year. There were somewhat fewer determinations allocating new capacity issued this year than in the past three years. Those previous years were a period of recovery from the difficult world events of the early years of the decade and airlines have over recent times implemented a range of new services to take advantage of the expanded capacity opportunities provided by the Commission. Another important factor in the slightly lower number of determinations issued this year was the number of decisions made by the Commission to amend several existing Qantas determinations to allow the relevant capacity to be used by Jetstar. This allowed for an expansion of services by this Qantas subsidiary, without the need for additional determinations to be made by the Commission.

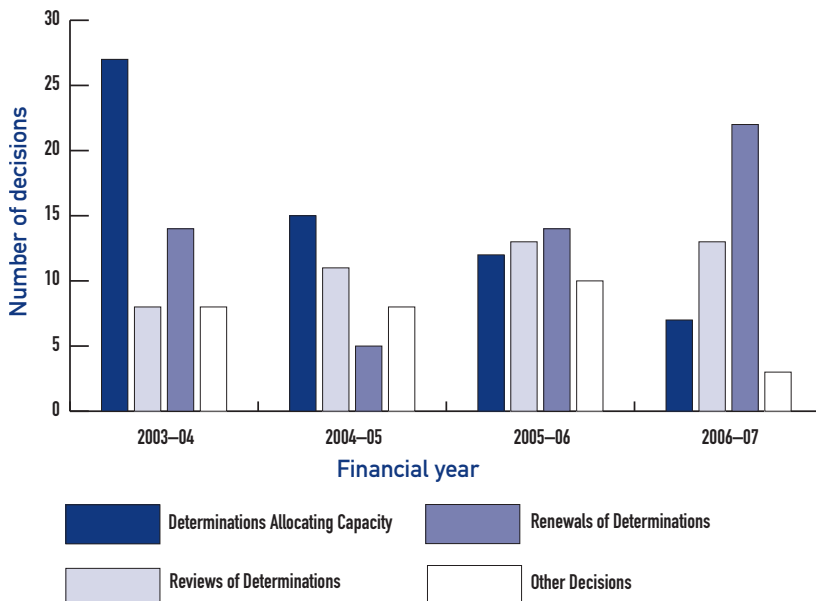
## Summary of expenditure

The Commission is funded from within the resources of the Aviation and Airports Division of DOTARS. The Commission's budget for the year was \$389,000. These funds cover salary costs for Secretariat staff, Commissioners' fees and travel expenses, the Commission's administrative requirements including advertising of applications for capacity or for variation to existing determinations, annual report production and general office needs. During 2006–07, the Commission was supported by a Secretariat with an average of the equivalent of about 2.3 full time staff, compared with an average of 1.9 full time equivalent staff last year.

Corporate overheads and property operating expenditure continued to be paid for by DOTARS. The Commission's offices are located in departmental buildings which are not the Commission's responsibility.

Total expenditure for the year was about \$377,000 or around \$12,000 less than budget. The Commission considers that its resource level is modest but appropriate to its operating needs and that the resources this year were used efficiently and effectively. Part 5 contains more details about the Commission's financial performance.

### Historical numbers of determinations and decisions



## Case study — the South Africa route — code sharing between Qantas and South African Airways

### Introduction

In its annual report each year, the Commission includes an in-depth study of a case of special interest that highlights issues the Commission deals with from time to time. In last year's report, the Commission focussed on the issues involved in a decision to allow a continuation of code sharing between Qantas and Japan Airlines on the Japan route. This year, the Commission again concentrates on the issue of code sharing, this time on the South Africa route, where quite different circumstances prevailed than in the Japan case.

### The application

Qantas applied on 25 October 2006 for Commission authorisation to continue code sharing with South African Airways (SAA) on services between Australia and South Africa. The Commission's previous approval was due to expire on 18 December 2006.

Under the code share arrangements between Qantas and SAA, flying on the route is divided between the two carriers on a sector basis. Qantas operates five B747-400 return services per week between Sydney and Johannesburg, while SAA flies five A340-200 return services per week between Perth and Johannesburg. The two carriers buy blocks of seats on the services of the other, thus enabling them to participate in the sale of seats on both sectors. At the time of the application, Qantas purchased ten business class and ninety economy seats on each SAA service. SAA bought average blocks of two first class, twenty four business class and 124 economy class seats on each Qantas service.

Qantas stated that the code share arrangements provided an efficient use of capacity, delivering benefits to tourists and consumers. They also enhanced the viability of both airlines' services in the face of increasing competition from third-country carriers on the Australia–South Africa route. Qantas stated that it continued to lose market share to third-country carriers, with the Qantas/SAA market share having fallen progressively from a high of 79.4% in 2002–03 to 69.8% for the year ending 30 June 2006. The market shares of Singapore Airlines and Emirates, in particular, had grown substantially.

Qantas said that, in the absence of renewed code share approval, it would not be commercially viable for it to return to operating via Perth to Sydney, nor to introduce Johannesburg services terminating at Perth. Qantas also understood that SAA had no plans to commence services to Sydney and wished to continue code sharing on Qantas' Sydney services.

### Submissions

The ACCC reaffirmed the concerns it had expressed in its submissions to earlier IASC reviews of the code share arrangements between Qantas and SAA. The ACCC considered that the arrangements continued to reduce competition on the Australia–South Africa route, noting that there was still an absence of any competition from other carriers operating direct services. The only competition was from indirect operators. While their market share had grown, they were disadvantaged by longer travel times via intermediate points.

The ACCC also considered it unlikely that the code share partners would behave in ways that could adversely affect their partner, such as by price discounting. There appeared to be little prospect of effective competition between Qantas and SAA.

In responding to the ACCC submission, Qantas argued that the indirect operators did act as a competitive constraint on the code share partners. Qantas considered that the Australia–South Africa market was particularly price sensitive, providing scope for third country carriers to capture passengers through lower fare levels and attractive accommodation offers. Qantas provided examples of third-country airline fares being lower than the direct operators. Qantas also maintained its view that the hard block nature of the code share arrangement engendered price competition. Qantas stated that it regularly offered special fares to increase sales or match competitors' prices, including fares marketed by SAA.

The West Australian (WA) Government supported the code share arrangements continuing, arguing that significant benefits had arisen from them. In particular, the introduction of direct services between Sydney and Johannesburg had reduced operating costs and delivered product improvements to travellers between South Africa and east-coast Australia. The WA Government considered that while there was a risk of higher prices, this was outweighed by concerns that the current level of Perth–Johannesburg services would be threatened and probably reduced if code share approval was withdrawn. It said that Qantas had previously said it would not operate to Perth if code share approval was discontinued. The absence of Qantas on the Perth–Johannesburg sector would have a major negative effect on inbound tourism to WA, almost certainly resulting in reduced frequencies. The development of an SAA monopoly would very likely result in higher prices.



### The Commission's assessment

At its most recent previous review in June 2005, the Commission found that there had been some improvements for consumers resulting from higher service levels. These were mainly due to the introduction of more modern A340 aircraft by SAA, replacing ageing B747 planes. However, the Commission was concerned about continuing high air fares and load factors, particularly on services to and from Sydney. From the airline perspective, services to Sydney were highly profitable and Perth services were also profitable as a result of the introduction of more efficient A340 aircraft by SAA.

The Commission authorised a continuation of the arrangements at that time because of concern about the possible tourism and consumer consequences for the level of operations to Perth if code share approval was withdrawn. However, the Commission required the airlines to increase the combined number of services operated on the route to ten per week from the nine per week then in place. In practical terms, this meant the introduction by Qantas of an extra (fifth) weekly B747 service between Sydney and Johannesburg from mid-December 2005. The Commission considered that Qantas and SAA would be under some pressure to compete to sell the extra seats on this additional service.

A little over a year on from its 2005 review, the Commission found that the code share arrangements continued to produce strong financial returns for the code share partners as a result of comparatively high fares and operational efficiency gains. There were some offsetting public benefits, including through the additional weekly service between Sydney and Johannesburg.

The Commission also considered that the code share arrangement was likely to have assisted the maintenance of the operation of five services per week to Perth. However, this argument was weaker than in the past as the efficient A340 aircraft operated by SAA were likely to have improved the viability of the Perth sector considerably.

Carriers from other countries operating via intermediate points provided some price competition for the direct carriers. They also gave consumers some additional travel options, such as enroute stopovers. These indirect carriers had been responsible for most of the growth in traffic on the South Africa route in recent years. They also had a larger market share during seasonal peaks. The Commission considered that this was because the high load factors on direct services meant that it was easier for passengers to find seats on the indirect carriers at these times. While these third country carriers provided a measure of competition, their much longer flying times meant that there would be a limit to the extent of their market penetration, despite the lower fares they offered.

The Commission found that there was not much incentive for Qantas and SAA to compete strongly for extra passengers. This was partly due to the fact that all of the available capacity under the air services arrangements was being used. This meant that Qantas and SAA could not add more services to carry extra passengers even if they wanted to, so there was no incentive for them to discount fares, particularly in seasonal peaks when load factors were already high. There was also no pressure on the incumbent carriers from the threat of potential entry from other direct carriers because of the absence of available capacity.

The Commission had hoped that its requirement for the airlines to increase the frequency of operations on the route to the maximum number possible would place more competitive pressure on Qantas and SAA. This appeared to occur only to a limited degree, although the Commission noted that Qantas' profits on the route, which had grown strongly in 2004 and 2005, fell slightly. However, this was due more to rising fuel prices than to lower fares.

The Commission looked carefully at the likely impacts if code share approval was to be withdrawn. It considered that there was unlikely to be a positive improvement in public benefits from removing approval while there was no additional capacity available. It seemed unlikely that Qantas or SAA would alter their operations to fly via Perth to Sydney, or introduce point to point services in competition with the other. The Commission thought it was more likely that removing approval in the present capacity constrained situation could lead to separate monopolies to Perth and Sydney. There was a small possibility that frequencies to Perth could be reduced. The introduction of the efficient A340 aircraft by SAA had greatly reduced the likelihood of a complete or even partial loss of services to Perth in the event of removal of code share approval. However, two monopoly operations were unlikely to see an improved competitive situation compared with the current situation.

The Commission wanted to leave flexibility to review the code share arrangements again in 2007, against the possibility that there were changes to the capacity available under the air services arrangements. In all of the circumstances, the Commission decided to reauthorise the code share arrangements until 31 December 2007. It maintained the existing conditions of approval of the code share, including that a combined total of ten services per week be operated.

## Significant developments post-30 June 2007

On 23 July 2007, the Commission issued Determination [2007] IASC 104, allocating capacity on the United States route to Virgin Blue International Airlines. Subsequently, the new airline's operating name was announced as V Australia. This new airline, a member of the Virgin Blue group, is expected to start B777-300 services between Australia and the United States from November 2008.

## Outlook for the industry

International airlines have generally enjoyed a period of prosperity in the past year or so after difficult years in the first half of this decade. Although high oil prices continue to impose significant costs on airlines, the growth in many economies around the world has seen the demand for air travel continue to rise. Airlines continue to search for operating efficiencies to deal with the oil cost issue and aircraft manufacturers continue to develop increasingly fuel efficient aircraft. The outlook for the coming year again appears to be positive, barring unforeseen events.

From the Australian perspective, there will be a further expansion in the operations of Australian airlines on international routes. At the large end of the scale, the entry of V Australia in 2008 to the United States route is a major development which stands to have a significant impact on competition on this important route. Over the longer term, V Australia might extend its operations to other long haul international routes.

Jetstar, now well established on international routes, is expected to continue its expansion. On a more modest scale, Queensland Regional Airlines is expected to enter the Papua New Guinea route before the end of 2007. From time to time, new prospective Australian operators such as Australia World Airways, which was allocated capacity in the past, discuss with the Commission their future operational plans. Whether any such new carriers emerge successfully in the coming year remains to be seen.

An exciting development over the next year or so will be the introduction of new aircraft types on routes to and from Australia. Qantas has on order the large Airbus A380 aircraft as well as the Boeing B787. V Australia plans to operate new Boeing B777 aircraft. These new-generation aircraft stand to offer consumers excellent onboard facilities and to provide significant operational cost reductions for airlines.



## Part 4 — Management and accountability

### Corporate governance practices

The Commission is a small organisation and therefore requires less complex corporate governance structures than large bodies such as Government departments. The Commission's corporate governance arrangements are appropriate for its small scale and budget, and consistent with its role and responsibilities. These arrangements are in two parts. The first is directed at addressing the Commission's statutory responsibilities. The second part of the governance structure relates to staffing of the Commission's Secretariat and to Commission funding arrangements.

Part 4 of the Act sets out procedures the Commission is required to follow. The Commission adheres carefully to these requirements. In practice, the most significant of these concerns the holding of meetings. Commission meetings are usually convened at the Commission's offices in Canberra. On some occasions, when relatively straightforward matters are involved, the Commission may meet by teleconference or email. This reduces time and travel costs associated with face-to-face meetings. The Commission ensures that a quorum of members is present at meetings and that decisions are made in accordance with the processes required by the Act. Minutes are kept of all meetings.

During Commission meetings, staffing, financial and risk management issues are discussed with the Secretariat. The Commission and the Secretariat also communicate regularly by email and telephone about matters requiring the Commission's attention in the periods between meetings.

Part 4 of the Act also provides for the Commission to hold hearings at its discretion. However, no hearings were held this year.

Part 5 of the Act relates to the membership of the Commission. Commissioners are appointed by the Governor-General after approval by Cabinet following its consideration of recommendations by the Minister for Transport and Regional Services. The current appointments of Commission members are for periods of three years, although the Act provides that terms of appointment may be for up to five years. The Remuneration Tribunal determines Commissioners' remuneration pursuant to the *Remuneration Tribunal Act 1973*.

Section 47 of Part 5 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. No conflict of interest issues arose during the year.

Part 6, 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 and the final report is signed off by them and delivered to the Minister in accordance with the statutory requirements.

The second element of the Commission's corporate governance arrangements arises from the Commission's links with DOTARS. Secretariat staff members are officers of DOTARS who are subject to the responsibilities and obligations applying to departmental staff, including accountability mechanisms under DOTARS' corporate governance arrangements. The Commission's Executive Director is responsible for the day to day management of the Secretariat, in accordance with DOTARS' requirements. These arrangements ensure that there are appropriate controls and safeguards over matters such as expenditure of Commission funds. Secretariat staff members, as members of the Australian Public Service (APS), are also expected to adhere to the APS Values and Code of Conduct.

### External scrutiny

There was no formal external scrutiny of the Commission during the year. No determinations or decisions made by the Commission were the subject of judicial or administrative review.

### Management of human resources

The average staffing level of the Secretariat for the year was a little above the previous year, at 2.3 full-time equivalent people, compared with 1.9 in 2005–06. As at 30 June, there were two Executive Level 2 officers (both male, both part-time) and one APS 5 officer (female, full-time). As DOTARS officers, Secretariat staff members' employment conditions are determined by the department's Certified Agreement, except for the Executive Director who has an Australian Workplace Agreement.

DOTARS has undertaken to make additional staffing resources available to the Commission if required as a result of changing workload. DOTARS' co-operation provides assurance to the Commission that adequate support will be maintained to enable it to carry out its functions effectively. It also forms part of a strategy to manage the risk associated with dependence on key individuals within the small Secretariat.

As employees of DOTARS, Secretariat officers are subject to its human resource management policies and practices. As part of these arrangements, Secretariat staff members participate in six monthly discussions about their performance against work objectives and professional development activities undertaken and planned for the future. The Commissioners assist the professional development of Secretariat members in a number of ways. Participation in training courses and conferences is encouraged. All Secretariat staff undertook various forms of development during the year. Staff members are

involved in the Commission's work through the preparation of agenda papers, participation in discussion, and drafting of determinations and decisions for consideration by Commissioners. As the work demands of the Commission's activities allow, Secretariat staff may be involved from time to time in tasks within DOTARS, as part of the flexible working arrangements between the Commission and the department.

### 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 and competitive tendering and contracting

The Commission did not engage any consultancy services.





## Part 5 — Financial report

### Financial report as at 30 June 2007

	(1) 2006–07 BUDGET S'000	(2) 2006–07 ACTUAL S'000	(3) VARIATION (COLUMN 2-1) S'000	(4) 2007-08 BUDGET S'000
Salaries	276	277	1	243
Revenue	0	0	0	0
Supplier expenses	113	100	-13	157
TOTAL	389	377	-12	400
Staff years	2.5	2.3		2.3

#### 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 DOTARS. The notional budget of \$372,000 for 2006–07, included in the Commission's 2005–06 annual report, was amended early in the financial year after discussions with DOTARS.

The Commission's offices are in a DOTARS building. As in past years, property operating expenses and some other corporate overheads incurred by the Commission were budgeted and paid for by DOTARS. Property operating expenses include the lease rental paid, repair and maintenance, electrical and cleaning services.



## Part 6 — Appendices

### Appendix 1 — Determinations and decisions

This table summarises briefly the determinations and decisions issued during 2006–07. A full summary is at *Appendix 2*. Individual determinations and decisions may be viewed on the Commission’s website at [www.iasc.gov.au](http://www.iasc.gov.au).

ROUTE	AIRLINE	IASC NUMBER	DATE	CAPACITY ALLOCATED (PER WEEK)	COMMENTS
Canada	Qantas	[2007] IASC 202 <sup>d</sup>	29-Jan-07	Thirty six seats	Variation of [2005] IASC 110 to increase allocation of seasonal passenger capacity
China	HeavyLift Cargo	[2007] IASC R02	17-May-07		Grant of extension of time for the commencement of operations until 31 December 2007
	Qantas	[2007] IASC 103 <sup>d</sup>	13-Jun-07	835 seats to and from Sydney, Melbourne, Brisbane and Perth	Allocation of passenger capacity
France	Qantas	[2006] IASC 118 <sup>d</sup>	26-Oct-06	250 one way seats per day on an annual average basis	Renewal of [2002] IASC 109
French Polynesia	Qantas	[2006] IASC 119 <sup>d</sup>	26-Oct-06	One unit	Renewal of [2002] IASC 110
	Qantas	[2006] IASC 120 <sup>d</sup>	26-Oct-06	0.5 units	Renewal of [2002] IASC 111
Germany	Qantas	[2006] IASC 107 <sup>d</sup>	26-Oct-06	Four frequencies with any aircraft type	Renewal of [2001] IASC 118
Hong Kong	Qantas	[2006] IASC 108 <sup>d</sup>	26-Oct-06	Fifteen frequencies	Renewal of [2001] IASC 119
	Qantas	[2006] IASC 114 <sup>d</sup>	26-Oct-06	Five frequencies	Renewal of [2002] IASC 105
	Qantas	[2007] IASC 205 <sup>d</sup>	24-Apr-07		Variation of Determinations [2001] IASC 119, [2002] IASC 105, [2003] IASC 107, [2004] IASC 115, [2004] IASC 116, [2006] IASC 108 and [2006] IASC 114 to permit Air France to code share on Qantas services
Indonesia	Airnorth	[2006] IASC 127 <sup>d</sup>	26-Oct-06	Unrestricted capacity between points in Australia, except Sydney, Melbourne, Brisbane and Perth and points in Indonesia	Renewal of [2004] IASC 110
	Qantas	[2006] IASC 122 <sup>d</sup>	26-Oct-06	3,390 seats between Sydney, Melbourne, Brisbane and Perth and points in Indonesia	Renewal of [2002] IASC 113

ROUTE	AIRLINE	IASC NUMBER	DATE	CAPACITY ALLOCATED (PER WEEK)	COMMENTS
Japan	Qantas	[2006] IASC 113 <sup>4</sup>	26-Oct-06	4.4 B767-200 units	Renewal of [2002] IASC 104
	Qantas	[2006] IASC 117 <sup>4</sup>	26-Oct-06	45.6 B767-200 units	Renewal of [2002] IASC 108
	Qantas	[2006] IASC 124 <sup>4</sup>	26-Oct-06	2.4 B767-200 units	Renewal of [2002] IASC 116
	Qantas	[2006] IASC 224	04-Dec-06	0.1 B767-200 units	Variation of [2003] IASC 105, [2004] IASC 105, [2005] IASC 106, [2005] IASC 123, [2005] IASC 124 and [2005] IASC 126 to permit use of the capacity by a wholly owned subsidiary and to permit joint services with Qantas, and variation of [2003] IASC 105 to increase allocation of capacity
	Qantas	[2007] IASC 204	14-Mar-07		Variation of [2002] IASC 116, [2004] IASC 120, [2006] IASC 103 and [2006] IASC 124 to permit Japan Airlines to code share on Jetstar services between Osaka and Brisbane/Sydney
Korea	Qantas	[2006] IASC 112 <sup>4</sup>	26-Oct-06	500 seats	Renewal of [2002] IASC 102
	Qantas	[2006] IASC 223 <sup>4</sup>	31-Oct-06		Variation of [2005] IASC 108 to permit Asiana to code share on Qantas' seasonal services
Malaysia	Qantas	[2007] IASC 101 <sup>4</sup>	09-Feb-07	909 seats	Allocation of passenger capacity
Nauru	HeavyLift Cargo	[2007] IASC 203	14-Mar-07	(One frequency with any aircraft type not exceeding the capacity of a B737 aircraft)*	Revocation of [2005] IASC 118
Netherlands	HeavyLift Cargo	[2007] IASC R02	17-May-07		Grant of extension of time for the commencement of operations until 31 December 2007
New Caledonia	Qantas	[2006] IASC 121 <sup>4</sup>	26-Oct-06	One unit	Renewal of [2002] IASC 112
New Zealand	Qantas	[2006] IASC 109 <sup>4</sup>	26-Oct-06	Unlimited capacity to operate scheduled passenger services between Australia and New Zealand via, and beyond to, third countries	Renewal of [2001] IASC 121
Papua New Guinea	Qantas	[2006] IASC 129	02-Nov-06	1,000 seats	Renewal of [2002] IASC 115
	Qantas	[2007] IASC 208	30-May-07		Variation of [2006] IASC 129 to permit code sharing with Air Niugini until 29 February 2008

ROUTE	AIRLINE	IASC NUMBER	DATE	CAPACITY ALLOCATED (PER WEEK)	COMMENTS
	Queensland Regional Airlines	[2006] IASC 104	21-Jul-06	216 seats	Allocation of passenger capacity
	Queensland Regional Airlines	[2007] IASC R01	14-Mar-07		Grant of extension of time for the commencement of operations until 30 June 2007
	Queensland Regional Airlines	[2007] IASC R03	20-Jun-07		Grant of extension of time for the commencement of operations until 31 October 2007
	Transair	[2007] IASC 201 <sup>d</sup>	23-Jan-07	(Twenty tonnes)	Revocation of [2003] IASC 104
Philippines	Qantas	[2006] IASC 123 <sup>d</sup>	26-Oct-06	458 seats	Renewal of [2002] IASC 114
Singapore	Qantas	[2006] IASC 126 <sup>d</sup>	26-Oct-06	Unrestricted frequency and capacity for all-cargo services on the revised all-cargo route	Renewal of [2002] IASC 118
	Qantas	[2006] IASC 219	21-Jul-06		Variation of [2003] IASC 120 to permit Jet Airways to code share on Qantas services
	Qantas	[2006] IASC 221	01-Sep-06		Variation of [2003] IASC 120 to permit a wholly owned subsidiary to utilise the capacity and to provide joint services on the route with Qantas
Solomon Islands	HeavyLift Cargo	[2007] IASC 102	17-May-07	Twenty five tonnes	Allocation of freight capacity
South Africa	Qantas	[2006] IASC 130	11-Dec-06	One frequency	Renewal of [2002] IASC 117
	Qantas	[2006] IASC 225	11-Dec-06		Variation of [2003] IASC 108, [2004] IASC 119 and [2005] IASC 125 to permit code sharing by SAA on Qantas services until 31 December 2007
Switzerland	Qantas	[2006] IASC 116 <sup>d</sup>	26-Oct-06	Seven frequencies	Renewal of [2002] IASC 107
Thailand	Qantas	[2006] IASC 110 <sup>d</sup>	26-Oct-06	Seven B747 equivalent services	Renewal of [2001] IASC 123
	Qantas	[2006] IASC 115 <sup>d</sup>	26-Oct-06	Seven third-country code share services	Renewal of [2002] IASC 106
	Qantas	[2006] IASC 222	01-Sep-06		Variation of [2005] IASC 128 and [2006] IASC 101 to permit a wholly owned subsidiary to utilise the allocations, and to permit joint services with Qantas

ROUTE	AIRLINE	IASC NUMBER	DATE	CAPACITY ALLOCATED (PER WEEK)	COMMENTS
	Qantas	[2007] IASC 206 <sup>d</sup>	24-Apr-07	Three third-country code share services	Variation of [2001] IASC 123 to allocate third-country code share services and to permit Malev to code share on Qantas services
	Qantas	[2007] IASC 207 <sup>d</sup>	24-Apr-07	Three third-country code share services	Variation of [2006] IASC 110 to allocate third-country code share services and to permit Malev to code share on Qantas services
	Qantas	[2007] IASC 209 <sup>d</sup>	13-Jun-07	One third-country code share service	Variation of [2001] IASC 123 and [2006] IASC 110 to increase allocation of third-country airline code share services
United Arab Emirates	Qantas	[2006] IASC 106	01-Sep-06	Unrestricted cargo frequency, capacity and aircraft type	Allocation of freight capacity
United Kingdom	Qantas	[2006] IASC 105	01-Sep-06	Unrestricted frequency with any aircraft type	Allocation of passenger and freight capacity
	Qantas	[2006] IASC 220	01-Sep-06	(Twenty eight services)	Revocation of [2001] IASC 124, [2002] IASC 103, [2002] IASC 120, [2004] IASC 102 and [2004] IASC 112
United States	HeavyLift Cargo	[2007] IASC R02	17-May-07		Grant of extension of time for the commencement of operations until 31 December 2007
	Qantas	[2006] IASC 111 <sup>d</sup>	26-Oct-06	Capacity on the South Pacific route consistent with the terms of the Australia — United States air transport arrangements	Renewal of [2001] IASC 125
Vanuatu	Qantas	[2006] IASC 128 <sup>d</sup>	31-Oct-06	100 seats	Allocation of passenger capacity

<sup>d</sup> Indicates a determination or decision made by the Commission's delegate

\* Brackets indicate a reduction in capacity allocated



## Appendix 2 — Route by route summary of Commission determinations and decisions in 2006–07

This appendix provides a detailed summary of the Commission's determinations and decisions for 2006–07. Full determinations and decisions can be viewed on the Commission's website at [www.iasc.gov.au](http://www.iasc.gov.au).

### Canada

On 5 January 2007, Qantas applied for a variation to Determination [2005] IASC 110 to increase the capacity allocated to it on the Canada route by thirty six seats to a total of 379 seats per week. During peak seasons, Qantas proposed to operate one of its three weekly services using an aircraft with thirty six seats more than the aircraft used on the other two services.

On 29 January 2007, the delegate issued Decision [2007] IASC 202, allocating the additional capacity sought.

### China

On 17 May 2007, HeavyLift applied for an extension of time for the commencement of services on the China route. The airline held an allocation of unlimited capacity on the route.

The Commission issued Resolution [2007] IASC R02 on 17 May 2007, granting an extension of time for the commencement of operations until 31 December 2007.

On 29 May 2007, Qantas applied for an allocation of 835 seats per week on the China route under the Australia–People's Republic of China (China) air services arrangements. Qantas proposed to introduce an additional A330–300 service per week between

Sydney and Shanghai from 29 August 2007. It also planned to operate two A330 services per week between Melbourne and Shanghai from the Northern Summer 2008 scheduling period.

On 13 June 2007, the delegate issued Determination [2007] IASC 103 in favour of Qantas, allocating the 835 seats of capacity sought. The determination is for a period of five years.

### France

On 29 September 2006, Qantas applied to renew Determination [2002] IASC 109, which allocated 150 one-way seats per day averaged over twelve months in each direction on France Route 1. This determination had subsequently been varied by [2004] IASC 211, where the seat allocation was increased to 250 seats and code sharing was authorised between Qantas and Air France.

On 26 October 2006, the delegate issued Determination [2006] IASC 118, renewing the determination as sought by Qantas. The determination is for five years from 22 May 2007.

### French Polynesia

On 26 September 2006, Qantas applied for renewal of Determination [2002] IASC 111, which allocated 0.5 units of capacity per week on the Australia–France (Route 2 - French Polynesia) route. In seeking the renewal, Qantas also sought the removal of authorisation for code sharing with Polynesian Airlines.

On 26 October 2006, the delegate issued Determination [2006] IASC 120, renewing the determination as sought. The determination is for a period of five years from 17 September 2007.

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On 26 September 2006, Qantas applied to renew Determination [2002] IASC 110, which allocated one unit of capacity per week on the Australia–France (Route 2 - French Polynesia) route. Qantas also requested removal of authorisation for code sharing with Polynesian Airlines.

On 26 October 2006, the delegate issued Determination [2006] IASC 119, renewing the determination as sought. The determination is for a period of five years from 1 July 2007.

### Germany

On 26 September 2006, Qantas applied to renew Determination [2001] IASC 118, which allocated four frequencies per week on the Germany route. The determination had subsequently been varied by Decision [2003] IASC 201 to permit code sharing between Qantas and Swiss International.

On 26 October 2006, the delegate issued [2006] IASC 107 in favour of Qantas. The period of the determination is for five years from 1 July 2007.

### Hong Kong

On 26 September 2006, Qantas applied for a renewal of Determination [2001] IASC 119, which was subsequently varied by Decisions [2002] IASC 203, [2004] IASC 206 and [2006] IASC 211, with the effect that the amount of capacity allocated was fifteen frequencies per week of capacity with any aircraft type between any points in Australia and Hong Kong. The variations had also permitted the provision of joint services with Finnair and permitted wholly-owned subsidiaries of Qantas to utilise the capacity.

On 26 October 2006, the delegate, on behalf of the Commission, issued [2006] IASC 108 for Qantas. The determination is for five years from 1 July 2007.

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On 26 September 2006, Qantas applied to renew Determination [2002] IASC 105, allocating capacity on the Hong Kong route. Following amendment by Decision [2004] IASC 205, the allocation was for five frequencies per week with any aircraft type.

On 26 October 2006, the delegate issued Determination [2006] IASC 114, renewing the determination as requested. The determination is for five years from 19 March 2007.

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On 16 March 2007, Qantas applied for a variation to Determinations [2001] IASC 119, [2002] IASC 105, [2003] IASC 107, [2004] IASC 115, [2004] IASC 116, [2006] IASC 108 and [2006] IASC 114 to permit Air France to code share on Qantas services on the Hong Kong route. Qantas planned to expand code share arrangements with Air France to include services between Australia and Paris via Hong Kong, in addition to its current code share services to Paris via London and Singapore with British Airways and Air France respectively.

On 24 April 2007, the delegate issued Decision [2007] IASC 205 to permit Air France to code share on Qantas services on the Hong Kong route.

### Indonesia

On 12 September 2006, Airnorth applied to renew Determination [2004] IASC 110, which allocated unrestricted capacity and frequency to Airnorth for operations between points in Australia, except Sydney, Melbourne, Brisbane and Perth, and authorised points in Indonesia under the Australia–Indonesia air services arrangements.

On 26 October 2006, the delegate on behalf of the Commission issued Determination [2006] IASC 127 in favour of Airnorth. The determination is for a period of five years from 15 June 2007.

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Qantas applied on 26 September 2006 for a renewal of Determination [2002] IASC 113. This allocated 7.6 B747 equivalent services per week on the Australia–Indonesia route. The determination was subsequently amended by several variations with the effect that the determination allocated 3,390 seats per week and enabled code sharing between Qantas and its wholly-owned subsidiaries.

On 26 October 2006, the delegate issued [2006] IASC 122, a determination in favour of Qantas, allocating 3,390 seats weekly in each direction between Sydney, Melbourne, Brisbane and Perth and points in Indonesia.

### Japan

On 26 September 2006, the Commission received an application from Qantas to renew Determination [2002] IASC 116, which allocated 2.4 B767–200 units of capacity per week to Qantas on the Japan route.

On 26 October 2006, the delegate, on behalf of the Commission, issued Determination [2006] IASC 124 allocating the requested capacity to Qantas. The determination is for a period of five years from 22 April 2007.

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Qantas applied on 26 September 2006 for renewal of Determination [2002] IASC 108, which allocated capacity on the Japan route. The determination was subsequently varied by a number of decisions which extended authorisation to use the capacity in joint services with Japan Airlines.

On 26 October 2006, the delegate issued Determination [2006] IASC 117, allocating 45.6 B767–200 equivalent units of capacity per week between Australia and Japan. The determination is for five years from 1 July 2007.

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On 26 September 2006, Qantas applied to renew Determination [2002] IASC 104. The determination was subsequently varied by a number of decisions, with the effect that the amount of capacity allocated was 4.4 B767–200 equivalent units of capacity per week. The variations also permitted the provision of joint services with Japan Airlines and permitted wholly-owned subsidiaries of Qantas to utilise the capacity.

The delegate issued Determination [2006] IASC 113, in favour of Qantas, on 26 October 2006. Effective from 14 February 2007, the determination is for five years.

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On 16 November 2006, Qantas applied for a variation to various determinations to permit the capacity to be used to hold out joint services with Qantas or any wholly-owned subsidiary of the Qantas group. The purpose of the variations was to enable Qantas to code share on new Jetstar services to western Japan. Jetstar planned to commence A330–200 services between Cairns and Nagoya and between Cairns and Osaka. The relevant determinations already allowed the capacity to be used by a wholly-owned subsidiary of Qantas.

Qantas also sought additional variations to Determinations [2005] IASC 123 and [2005] IASC 126 to remove authorisation for code sharing between Qantas and Australian Airlines, and to remove approval for Qantas and Japan Airlines to code share on the Melbourne–Tokyo sector. Another determination continued to authorise the Qantas/Japan Airlines



code share and was sufficient for Qantas' requirements. Qantas also sought an extra minor variation to Determination [2003] IASC 105 to increase the capacity allocated by 0.1 B767–200 units to a total of 6.1 B767–200 units of capacity.

On 4 December 2006, the Commission issued Decision [2006] IASC 224, varying Determinations [2003] IASC 105, [2004] IASC 105, [2005] IASC 106, [2005] IASC 123, [2005] IASC 124 and [2005] IASC 126, as requested by Qantas.

On 20 February 2007, Qantas applied for variations to four determinations to enable code sharing by Japan Airlines on Jetstar services between Osaka and Brisbane/Sydney from March 2007. The determinations were [2002] IASC 116, [2004] IASC 120, [2006] IASC 103 and [2006] IASC 124. The Commission received eleven submissions from Australian tourism bodies in favour of the variations.

On 14 March 2007, the Commission issued Decision [2007] IASC 204 to permit Japan Airlines to code share on Jetstar services.

### Korea

On 26 September 2006, Qantas applied to renew Determination [2002] IASC 102, which allocated 500 seats of capacity per week between Australia and Korea.

On 26 October 2006, the delegate, on behalf of the Commission, issued Determination [2006] IASC 112, which allocated the requested capacity on the Korea route. The determination is for five years from 1 July 2007.

On 16 October 2006, Qantas applied for a variation to Determination [2005] IASC 108 to permit Asiana Airlines to code share on seasonal Qantas services between Sydney and Korea. The

seasonal flights in 2007 were to operate over a four week period in January.

On 31 October 2006, the delegate issued Decision [2006] IASC 223 varying the determination to permit Asiana to code share, on Qantas' seasonal services.

### Malaysia

Qantas applied on 23 January 2007 for an allocation of 909 seats per week of capacity on the Malaysia route to permit Jetstar, a wholly-owned subsidiary of Qantas, to operate services on the Malaysia route. Jetstar planned to operate three services per week between Sydney and Kuala Lumpur from September 2007.

The services were proposed to operate using A330-200 aircraft with 303 seats in a two-class configuration. Qantas also proposed to code share on Jetstar's services.

On 9 February 2007, the delegate issued Determination [2007] IASC 101, allocating the requested capacity on the Malaysia route for a period of five years.

### Nauru

HeavyLift applied to the Commission on 13 March 2007 to revoke Determination [2005] IASC 118. This determination allocated one frequency per week with any aircraft type not exceeding the capacity of a B737 on the Nauru route under the Australia–Nauru air services arrangements.

On 14 March, the Commission issued Decision [2007] IASC 203, revoking the determination as requested.

### Netherlands

On 17 May 2007, HeavyLift applied for an extension of time for the commencement of operations on the Netherlands route.

The Commission issued Resolution [2007] IASC R02 granting an extension of time for the commencement and full utilisation

of capacity until 31 December 2007.

### **New Caledonia**

On 26 September 2006, Qantas applied to renew Determination [2002] IASC 112, a determination allocating one unit of capacity per week on the France (Route 3 - New Caledonia) route under the Australia–France air services arrangements.

On 26 October 2006, the delegate, on behalf of the Commission, issued Determination [2006] IASC 121, renewing the determination as requested for a period of five years from 1 July 2007.

### **New Zealand**

Qantas applied on 26 September 2006 for a renewal of Determination [2001] IASC 121, which allocated unlimited passenger and freight capacity for operation on the New Zealand route.

The delegate, on behalf of the Commission, issued Determination [2006] IASC 109 on 26 October 2006, reallocating the capacity for a period of ten years from 1 July 2007.

### **Papua New Guinea**

On 26 September 2006, Qantas applied to renew Determination [2002] IASC 115, which allocated 1,550 seats per week on the Papua New Guinea route and authorised code sharing between Qantas and Air Niugini on services between Cairns and Port Moresby. The determination had been varied by Decision [2002] IASC 219 to reduce the number of seats allocated to 1,000 per week. This decision also authorised a substantially expanded code share arrangement between Qantas and Air Niugini to enable Qantas to code share on all of Air Niugini's services to Australia.

On 2 November 2006, the Commission issued Determination [2006] IASC 129, allocating

1,000 seats per week on the Papua New Guinea route. The determination is for five years from 1 July 2007.

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On 14 May 2007, Qantas applied for a variation to Determination [2006] IASC 129, which allocated 1,000 seats of capacity per week on the PNG route, to permit it to continue code sharing on Air Niugini services between Sydney/Brisbane and Port Moresby and between Cairns and Port Moresby and vice versa. The proposed arrangement involved Qantas purchasing a hard block of seats on all Air Niugini services between Australia and PNG. Qantas also had an option to purchase a further soft block of seats on each flight. This arrangement represented a continuation of the arrangement that was authorised by the Commission in August 2002 (see Decision [2002] IASC 219). That authority was to expire on 30 June 2007.

On 30 May 2007, the Commission issued Decision [2007] IASC 208 varying the Determination as requested until 29 February 2008. This short term approval was granted to provide time for the IASC and Papua New Guinea's Independent Consumer and Competition Commission to review in parallel the public benefit issues associated with the code share over the longer term. It also provided sufficient time for the airlines to make alternative operational arrangements in an orderly way, in the event that longer term authorisation of code sharing was not granted by either Commission.

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Queensland Regional Airlines (Q7) applied on 28 July 2006 for an allocation of 216 seats per week of capacity on the Papua New Guinea route. Q7 planned to operate six return services per week between Cairns and Port Moresby using deHavilland Dash 8–102 36 seat aircraft.

On 21 July 2006, the Commission issued interim Determination [2006] IASC 104, allocating 216 seats of passenger capacity per week in each direction on the Papua New Guinea route. The determination is for a period of three years from the date of the determination.

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The Commission issued two resolutions to Queensland Regional Airlines, granting extensions of time for the commencement of operations to utilise the capacity allocated on the Papua New Guinea route. The first, [2007] IASC R01, was an extension to 30 June 2007, and the second, [2007] IASC R03, granted an extension to 31 October 2007.

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Transair applied to the Commission on 19 January 2007 for revocation of Determination [2003] IASC 104, which allocated twenty tonnes of freight capacity per week on the PNG route. The application followed the cancellation by the Civil Aviation Safety Authority of Transair's Air Operator Certificate.

On 23 January 2007, the delegate, on behalf of the Commission, issued Decision [2007] IASC 201 revoking the determination as requested.

### Philippines

Qantas applied on 26 September 2006, for a renewal of Determination [2002] IASC 114, which allocated 458 seats per week in each direction on the Philippines route.

On 26 October 2006, the delegate issued Determination [2006] IASC 123 allocating 458 seats of capacity per week on the Philippines route to Qantas. The determination is for five years from 1 July 2007.

### Singapore

On 30 June 2006, Qantas applied for a variation to Determination [2003] IASC 120 to permit Jet Airways to code share on selected Qantas services between Singapore and Sydney, Melbourne, Brisbane, Perth and Adelaide. Qantas also proposed to code share on daily Jet Airways' services between Singapore and Mumbai, New Delhi and Chennai for which no Commission approval was required.

On 21 July 2006, the Commission issued Decision [2006] IASC 219 to permit Jet Airways to code share on Qantas' services.

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On 10 August 2006, Qantas applied for a variation to Determination [2003] IASC 120 to permit the capacity allocated on the Singapore route to be used to hold out joint services with Qantas or any wholly-owned subsidiary of the Qantas group, and to enable Qantas and Jetstar to code share on each other's services on the route. The determination already enabled the capacity to be used by Qantas or another Australian carrier which is a wholly-owned subsidiary of Qantas.

On 1 September 2006, the Commission issued Decision [2006] IASC 221 to permit a wholly-owned subsidiary to utilise the capacity and to provide joint services on the route with Qantas.

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On 26 September 2006, Qantas applied to renew Determination [2002] IASC 118, which allocated unlimited freight capacity and frequency on the Singapore route under the Australia–Singapore air services arrangements.

On 26 October 2006, the delegate issued Determination [2006] IASC 126, re-allocating unlimited frequency and capacity for all-cargo services on the Singapore route for a period of ten years from 7 May 2007.

### Solomon Islands

HeavyLift applied on 2 May 2007 for an allocation of twenty five tonnes of freight capacity per week on the Solomon Islands route.

On 17 May 2007, the Commission issued Determination [2007] IASC 102 in favour of HeavyLift, allocating the capacity sought. The determination is for five years from the date of the determination.

### South Africa

On 26 September 2006, Qantas applied to renew Determination [2002] IASC 117, which allocated one frequency per week on the South Africa route and authorised code sharing between Qantas and South African Airways.

On 11 December 2006, the Commission made Determination [2006] IASC 130 in favour of Qantas, re-allocating the capacity on the South Africa route. The determination is for five years from 1 July 2007.

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Qantas applied to the Commission on 25 October 2006 to vary Determinations [2002] IASC 117 (or as renewed), [2003] IASC 108, [2004] IASC 119 and [2005] IASC 125 to permit South African Airways to continue code sharing on Qantas' services between Australia and South Africa until 31 December 2008.

On 11 December 2006, the Commission issued Decision [2006] IASC 225, varying the determinations to permit South African Airways to continue code sharing on Qantas' services until 31 December 2007. Further details about this decision are contained in Part 3 of this annual report.

### Switzerland

On 26 September 2006, Qantas applied for a renewal of Determination [2002] IASC 107, which allocated seven third-country code share frequencies per week to Qantas on the Switzerland route.

On 26 October 2006, the delegate issued Determination [2006] IASC 116, renewing the determination as requested. The determination is for a period of five years from 19 March 2007.

### Thailand

On 17 August 2006, Qantas applied for a variation to Determinations [2005] IASC 128 and [2006] IASC 101 to permit the 4.2 B747 weekly units of capacity allocated on the Thailand route to be used to provide joint services with Qantas or any wholly-owned subsidiary of Qantas. The determinations already enabled the capacity to be used for passenger services by Qantas or another Australian carrier which is a wholly-owned subsidiary of Qantas. On 1 September 2006, the Commission issued Decision [2006] IASC 222, which varied the determination as requested by Qantas.

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Qantas applied on 26 September 2006 for a renewal of Determination [2002] IASC 106, which allocated seven third-country airline code share frequencies per week between Australia and Thailand.

The delegate, on behalf of the Commission, issued Determination [2006] IASC 115 on 26 October 2006, renewing the Determination for a period of five years from 19 March 2007.

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On 26 September 2006, Qantas applied to the Commission for a renewal of Determination [2001] IASC 123, which allocated the equivalent of 13 B747 weekly services between Australia and Thailand. This determination was subsequently varied by Decision [2002] IASC 213, when the allocation was reduced to seven B747 services per week, with authority to code share with Swiss International Airlines. Qantas advised in the renewal application that it no longer required authority to code share with Swiss International Airlines.

On 26 October 2006, the delegate issued Determination [2006] IASC 110, reallocating the equivalent of seven B747 weekly services. The determination is for a period of five years from 1 July 2007.

On 19 March 2007, Qantas applied for a variation to Determination [2001] IASC 123 to permit Malev Hungarian Airlines (Malev) to code share on Qantas-operated services, and for an allocation of three third-country airline code share services per week on the Thailand route to enable Qantas to code share on Malev-operated services.

On 24 April 2007, the delegate issued Decision [2007] IASC 206, varying the determination as requested.

Qantas also applied on 19 March 2007 for a variation to Determination [2006] IASC 110 to permit Malev to code share on Qantas-operated services, and for an allocation of three third-country airline code share services per week on the Thailand route to enable Qantas to code share on Malev's services. This determination had renewed Determination [2001] IASC 123 which was still in effect.

On 24 April 2007, the delegate, on behalf of the Commission, issued Decision [2007] IASC 207 varying the determinations as requested.

On 29 May 2007, Qantas applied for a variation to Determinations [2001] IASC 123 (which expired on 30 June 2007) and [2006] IASC 110 (which renewed [2001] IASC 123) for an allocation of a fourth weekly third-country airline code share service on the Thailand route, to enable an expansion of Qantas' existing code share arrangements with Malev.

On 13 June 2007, the delegate issued Decision [2007] IASC 209, increasing the allocation of third-country airline code share services as requested.

### United Arab Emirates

On 17 August 2006, Qantas applied for an allocation of unlimited capacity and frequency for all-cargo services on the United Arab Emirates route. Qantas proposed to operate a regular once weekly scheduled service between Australia and Germany via Singapore and Dubai.

On 1 September 2006, the Commission issued Determination [2006] IASC 106, allocating unlimited freight capacity and frequency for a period of ten years.

### United Kingdom

On 10 August 2006, Qantas applied for an allocation of unlimited capacity on the United Kingdom (UK) route. The application was made as a consequence of recently revised air services arrangements concluded between the Australian and UK Governments. The new arrangements removed the previous restrictions limiting the capacity and frequency that Australian designated airlines may operate on the UK route.

Concurrently with the application for capacity, Qantas sought the revocation of its five existing determinations which together allocated twenty eight services per week on the route (see separately Decision [2006] IASC 220). Qantas also sought authority for the capacity to be exercised by Qantas and any wholly-owned subsidiary of Qantas, and approval for code sharing among Qantas and its wholly-owned subsidiaries. Qantas also requested that the conditions attaching to the existing determinations be reflected in the new determination which superseded them. These conditions authorised code sharing by British Airways and Air Malta on Qantas services and that all services may be operated under the Qantas/British Airways Joint Services Agreement, while authorisation by the Australian Competition and Consumer Commission remains in place.

On 1 September 2006, the Commission issued Determination [2006] IASC 105, allocating unlimited capacity and frequency for a period of ten years.

On 10 August 2006, Qantas sought the revocation of five existing determinations, [2001] IASC 124, [2002] IASC 103, [2002] IASC 120, [2004] IASC 102 and [2004] IASC 112 which together allocated twenty eight services per week on the United Kingdom route.

On 1 September 2006, the Commission issued Decision [2006] IASC 220, revoking the determinations as requested.

### United States

On 17 May 2007, HeavyLift applied for an extension of time for the commencement of operations on the United States route.

The Commission issued Resolution [2007] IASC R02 granting an extension of time for the utilisation of allocated capacity until 31 December 2007.

On 26 September 2006, Qantas applied to renew Determination [2001] IASC 125, which allocated capacity on the South Pacific route between Australia and the United States. The determination had been varied to permit code sharing on the services of Air Tahiti Nui between Sydney, Papeete and New York, and between Auckland and Papeete. The determination had also been varied to permit the provision of joint services with Mexicana and to permit the utilisation of capacity by an Australian carrier that is a wholly-owned subsidiary of Qantas.

On 26 October 2006, the delegate issued Determination [2006] IASC 111, renewing the determination as requested. The determination is for a period of five years from 1 July 2007.

### Vanuatu

On 16 October 2006, Qantas applied for an allocation of 100 seats per week of capacity on the Vanuatu route. Qantas had existing allocations totalling 300 seats per week and sought the additional capacity to expand the number of seats it was able to sell on Air Vanuatu's services under the code share arrangement Qantas had with that airline.

On 31 October 2006 the delegate, on behalf of the Commission, issued Determination [2006] IASC 128 allocating the passenger capacity as sought. The determination is for a period of five years.

## Appendix 3 — Summary of total capacity allocated and available for all routes\* (third/fourth freedom capacity)

### Passenger capacity as at 30 June 2007

ROUTE	PASSENGER CAPACITY ALLOCATED (PER WEEK)	PASSENGER CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (PER WEEK)
Argentina	Nil	2,800 seats
Austria	Nil	2,800 seats
Bahrain	Nil	Seven frequencies**
Brazil	Nil	Twenty two frequencies
Brunei Darussalam	Nil	Nine B747s or 18 B767s**
Burma	Nil	Two B747s
Canada	Between the beginning of the last week in November and the end of the first week in February, and between 1 June and 31 August 1,029 seats	Between the beginning of the last week in November and the end of the first week in February, and between 1 June and 31 August 1,971 seats. For all other times outside these periods 3,000 seats
Chile	Nil	2,000 seats
China	2,135 seats	6,365 seats**
Cook Islands	360 seats	140 seats
Czech Republic	Nil	Seven services**
Denmark	Nil	2,800 seats
Egypt	Nil	Three B747s
Fiji	2,520 seats	2,480 seats**
Finland	Nil	2,800 seats
France	Route 1 = Three units and 150 code share seats; Route 2 = 2.5 units; Route 3 = 0.75 units	Route 1 = 250 code share seats; Route 2 = Two units; Route 3 = 1.75 (one unit = 400 seats)
Germany	Seven frequencies	Eighteen frequencies
Greece	200 third country code share seats	2,100 seats and 600 third country code share seats
Hong Kong	Thirty frequencies	Forty frequencies**
India	2,100 seats and 300 third party code share seats	3,400 seats and 1,075 third party code share seats
Indonesia	4,410 seats	6,390 seats**
Ireland	Nil	Seven services**
Italy	600 third country code share seats	Seven frequencies and 400 third country code share seats

ROUTE	PASSENGER CAPACITY ALLOCATED (PER WEEK)	PASSENGER CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (PER WEEK)
Japan	Seventy one units for the Northern Summer Scheduling Period and 73.4 for the Northern Winter Scheduling Period (one unit = one B767–200 equivalent)	Eight units for the Northern Summer Scheduling Period and 5.6 for the Northern Winter Scheduling Period
Jordan	Nil	Three frequencies
Korea	Between the beginning of the last week in December and the end of the first week in the following February 1,187 seats and outside the above period 500 seats	Between the beginning of the last week in December and the end of the first week in the following February 6,313 seats and outside this period 7,000 seats**
Kuwait	Nil	Two frequencies
Lebanon	Nil	Two B767s terminating in Lebanon, or three B767s transiting Lebanon
Luxembourg	Nil	Cargo capacity only
Macau	Nil	Three frequencies
Malaysia	909 seats	19,691 seats**
Malta	Nil	Three frequencies
Mauritius	Nil	Three frequencies** and 500 third country code share seats**
Mexico	Nil	Four frequencies to certain points, unrestricted to other points
Nauru	Nil	Three frequencies
Netherlands	400 third party code share seats	2,800 seats and 600 third party code share seats
New Zealand	Unlimited	Unlimited
Niue	Nil	500 seats
Norway	Nil	2,800 seats
Pakistan	Nil	Three services
Palau	Nil	1,200 seats
Papua New Guinea	1,216 seats	1,984 seats
Philippines	1,366 seats	Route 1 = 1,134 seats, regional development route = 400 seats
Poland	Nil	2,800 seats**
Qatar	Nil	Three frequencies
Russian Federation	Nil	Three frequencies
Samoa	Nil	1,000 seats
Singapore	Unlimited	Unlimited
Solomon Islands	Nil	850 seats



ROUTE	PASSENGER CAPACITY ALLOCATED (PER WEEK)	PASSENGER CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (PER WEEK)
South Africa	Five frequencies	Nil
Spain	Nil	Seven services to Madrid and/or Barcelona, otherwise unlimited
Sri Lanka	Nil	Thirteen services**
Sweden	Nil	2,800 seats
Switzerland	Twenty one third country code share frequencies	2,800 seats**
Taiwan	Nil	5,000 seats
Thailand	11.2 B747 and fourteen third party code share frequencies	23.8 B747s and fourteen third party code share frequencies
Tonga	540 seats	Sixty seats
United Arab Emirates	Nil	Sixty three frequencies**
United Kingdom	Unlimited	Unlimited
United States	Capacity on South Pacific route in accordance with air transport arrangements	South Pacific route = minimum of four frequencies, North Pacific route = minimum of three frequencies, Guam & Northern Mariana Islands route = four DC10s
Vanuatu	1,020 seats	380 seats
Vietnam	Three frequencies	Seven frequencies**
Zimbabwe	Nil	1,600 seats

\* The purpose of these tables is to provide an overview only of the quantum of passenger and freight specific capacity allocated and remaining available for allocation as at 30 June 2007. The tables do not purport to provide detailed or comprehensive statements of rights allocated by the International Air Services Commission, nor of the capacity entitlements or related matters (such as code sharing) described in the Register of Available Capacity. Interested parties should contact the International Air Services Commission or the Department of Transport and Regional Services to obtain full information about any route. The Register of Available Capacity is available for public viewing on the department's internet site at [http://www.dotars.gov.au/aviation/international/pdf/register\\_available\\_capacity.pdf](http://www.dotars.gov.au/aviation/international/pdf/register_available_capacity.pdf)

\*\* These routes have a Regional Package in place whereby services to points other than Brisbane, Melbourne, Sydney and Perth have unrestricted capacity entitlements. Refer to the Register of Available Capacity for details.

† Freight capacity is not separately specified in the Register of Available Capacity. However, freight capacity may be available. Interested parties should contact the Department of Transport and Regional Services.



## Freight capacity as at 30 June 2007

ROUTE	FREIGHT CAPACITY ALLOCATED (PER WEEK)	FREIGHT CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (PER WEEK)
Argentina	Nil	Seven frequencies
Austria	Nil	Unlimited
Bahrain	Nil	Unlimited
Brazil	Nil	Three frequencies
Brunei Darussalam	Nil	Unlimited
Burma	Nil	Not specified †
Canada	Nil	Converted from seats at the rate of forty seats for each ten tonnes or part thereof
Chile	Nil	Unlimited
China	Unlimited	Unlimited
Cook Islands	Nil	Unlimited
Czech Republic	Nil	Unlimited
Denmark	Nil	Unlimited
Egypt	Nil	Not specified †
Fiji	Nil	Seventy tonnes
Finland	Nil	Unlimited
France	Route 1 = Nil; Route 2 = Nil; Route 3 = one B737 freighter	Route 1 = not specified; Route 2 = not specified; Route 3 = Nil
Germany	Unlimited	Unlimited
Greece	Nil	250 tonnes and 100 tonnes third country code share
Hong Kong	One frequency	One frequency** (note: passenger capacity may be converted to freight capacity and vice versa)
India	Nil	Unlimited
Indonesia	Nil	Three frequencies
Ireland	Nil	Unlimited
Italy	Nil	Not specified †
Japan	Nil	Not specified †
Jordan	Nil	Not specified †
Korea	Nil	Unlimited

ROUTE	FREIGHT CAPACITY ALLOCATED (PER WEEK)	FREIGHT CAPACITY AVAILABLE FOR IMMEDIATE ALLOCATION (PER WEEK)
Kuwait	Nil	One frequency
Lebanon	Nil	Not specified †
Luxembourg	Nil	Unlimited
Macau	Nil	Not specified †
Malaysia	Nil	Unlimited
Malta	Nil	Not specified †
Mauritius	Nil	Unlimited
Mexico	Nil	Four frequencies to certain points, unrestricted to other points (capacity may be used for passenger and cargo or dedicated cargo services)
Nauru	Nil	Not specified †
Netherlands	Two frequencies	200 tonnes third country code share
New Zealand	Unlimited	Unlimited
Niue	Nil	Unlimited
Norway	Nil	Unlimited
Pakistan	Nil	One frequency
Palau	Nil	150 tonnes
Papua New Guinea	Fourty tonnes	Sixty tonnes
Philippines	Nil	Not specified †
Poland	Nil	Unlimited
Qatar	Nil	Not specified †
Russian Federation	Nil	Not specified †
Samoa	Nil	Unlimited
Singapore	Unlimited	Unlimited
Solomon Islands	100 tonnes	Nil
South Africa	Nil	One frequency
Sri Lanka	Nil	Unlimited
Sweden	Nil	Unlimited

Switzerland	Nil	Unlimited
Taiwan	Unlimited	Unlimited
Thailand	One frequency	Six frequencies
Tonga	Nil	Unlimited
United Arab Emirates	Unlimited	Unlimited
United Kingdom	Unlimited	Unlimited
United States	Unlimited	Unlimited
Vanuatu	Twenty five tonnes	Seventy five tonnes
Vietnam	Nil	Not specified †
Zimbabwe	Nil	100 tonnes

\* The purpose of these tables is to provide an overview only of the quantum of passenger and freight specific capacity allocated and remaining available for allocation as at 30 June 2007. The tables do not purport to provide detailed or comprehensive statements of rights allocated by the International Air Services Commission, nor of the capacity entitlements or related matters (such as code sharing) described in the Register of Available Capacity. Interested parties should contact the International Air Services Commission or the Department of Transport and Regional Services to obtain full information about any route. The Register of Available Capacity is available for public viewing on the department's internet site at [http://www.dotars.gov.au/aviation/international/pdf/register\\_available\\_capacity.pdf](http://www.dotars.gov.au/aviation/international/pdf/register_available_capacity.pdf)

\*\* These routes have a Regional Package in place whereby services to points other than Brisbane, Melbourne, Sydney and Perth have unrestricted capacity entitlements. Refer to the Register of Available Capacity for details.

† Freight capacity is not separately specified in the Register of Available Capacity. However, freight capacity may be available. Interested parties should contact the Department of Transport and Regional Services.



## Appendix 4 — Other information

### Occupational health and safety

As the staff members of the Secretariat are employees of the Department of Transport and Regional Services (DOTARS), 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 *Freedom of Information Act 1982* (the FOI Act) requires Australian Government agencies to publish a statement setting out their role, structure, functions, documents available for public inspection and access to such documents. Section 8 of the FOI Act requires each agency to publish detailed information on the way it is organised, its powers, decisions made and arrangements for public involvement in the work of the agency. The information contained in this report meets this requirement. Refer to *Appendix 5* for further details.

The IASC received one request under the Freedom of Information Act. The response to this was coordinated through DOTARS and more information may be found in the DOTARS annual report.

### Advertising and market research

For newspaper advertising of applications for capacity made by Australian airlines to the Commission, the Commission paid \$16,670 to HMA Blaze. The Commission is required by the Act to advertise applications received.

### Ecologically sustainable development and environmental performance reporting

The Commission's offices and Secretariat staff are located within DOTARS buildings and as such are covered by the department's processes in this area.



## Appendix 5 — Freedom of Information schedule

Item	Information
Access facilities	In many cases, application for information under the <i>Freedom of Information Act 1982</i> (FOI Act) might not be required because information or documents may be readily available through the Commission's public register process. Formal requests under the FOI Act must be made in writing to the contact officer listed at the front of this report.
Arrangements for public involvement	Formal participation and consultation can be arranged by contacting the Executive Director of the Commission whose details are listed at the commencement of this report. 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 section 6(4) of the Act to perform its functions. 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 is held by the Chairman. On 5 September 1994, the Chairman authorised the Executive Director to exercise the Chairman's powers and functions under the FOI Act.
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 internet home page. The Commission provides facilities for examining and copying publicly available documents at its office. 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	<p>The functions of the Commission, as set out in section 6 of the Act, are to:</p> <ol style="list-style-type: none"> <li>(a) make determinations</li> <li>(b) conduct reviews of those determinations</li> <li>(c) provide advice to the Minister about any matter referred to the Commission by the Minister concerning international air operations.</li> </ol>
How the Commission is organised	The organisation of the Commission is described in Part 2 of this report.
Location	The Commission's offices are located at 15 Mort Street, Canberra.

## Appendix 6 — 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 with the principles of natural justice. They are intended to give applicants and other interested parties procedural fairness, ensure that the Commission's processes are as open as possible and provide guidance to anyone wishing to apply for, or make submissions about, matters being considered by the Commission, such as allocations of route capacity or joint international air services.

The Commission's procedures incorporate the following main steps:

- Create a Register of Public Documents for each route and make available for viewing by any interested person. The Commission requires a public version of all applications and submissions to be made available. A small amount of information received by the Commission is of a commercial-in-confidence or confidential nature. This material is held on the Commission's confidential register. Electronic distribution of all public documents is the Commission's normal practice.
- Decide the criteria under which applications are to be assessed and, where relevant, invite the applicant(s) to submit further information addressing public benefit criteria.
- Ensure that the applicant is reasonably capable of obtaining the approvals necessary to operate and of using the capacity if so granted.
- Conduct a hearing 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.
- Publish draft determinations 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 proposed allocation and any proposed terms and conditions prior to the issuing of a final determination. In other cases the Commission proceeds directly to a final determination.
- The Commission updates its procedures from time to time. They are available from the Commission's home page at <http://www.iasc.gov.au>, or upon request to the Commission.



## Appendix 7 — Minister's policy statement

Policy Statement No 5 dated 19 May 2004.

### SECTION 11 POLICY STATEMENT

#### 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*

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

*Other Criteria*

- (f) 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 pre-eminent 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 years

unless 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.





## Appendix 8 — Service Charter 2006–2008

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

### About the Commission

The Commission is an independent statutory authority, established under the *International Air Services Commission Act 1992* (the Act). The Commission is comprised of a Chairperson and two members. Our role is to allocate capacity available under Australia's air services arrangements with other countries to existing and prospective Australian international airlines. We do this by making formal determinations. We assess applications against public benefit criteria set out in a policy statement issued to us by the Minister for Transport and Regional Services.

### The people and organisations with an interest in what we do

Existing and prospective airlines are the organisations most directly affected by Commission decisions. However, our decisions are relevant to many other people and organisations. 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 Transport and Regional Services;
- Australian and State government departments and agencies; and
- the aviation industry press and analysts.

### Assessing applications

If you wish to apply for capacity, procedures for doing so, including the information we require, can be found on our internet site at [iasc.gov.au](http://iasc.gov.au). We suggest that first you contact the Commission's executive director.

The Commission determines the more complex cases, such as where there are competing applications for capacity, a carrier is new to a route, or there are serious competition concerns about a proposal.

The Act gives us the authority to delegate some of our powers and functions to an officer of the Department of Transport and Regional Services, in certain circumstances. We have delegated the relevant powers and functions to officers in our secretariat, who are also departmental officers. This gives applicants a single point of contact and should ensure that the administration of Commission and departmental decision making is harmonised, without compromising the Commission's independence. The delegates adopt the standards set out in this charter, so you will receive the same level of service in all cases.

### Our commitments 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*

- treat you courteously and professionally;
- provide clear, accurate advice and answer your questions promptly;
- respond constructively to your suggestions for improving our service;

- include contact names and phone numbers in our correspondence;
  - answer phone calls promptly by name or return any missed calls within 24 hours if you leave a message; and
  - reply to your emails within 24 hours.
- finalise the renewal of existing determinations quickly and, in the case of contested renewals, at least six months prior to the expiry date; and
  - notify applicants within 24 hours of a decision being made, and other interested parties within three working days.

*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 can be sent to you upon request;
- seek only information that we consider is reasonably necessary for us to best carry out our functions;
- be transparent and fair, including keeping confidential information to a minimum, consistent with the legitimate protection of your commercial interests;
- make decisions about uncontested applications within four weeks of receipt and contested applications within 12 weeks, or inform you if there are reasons why a decision may take longer than this;

### **What we ask of you**

We ask you to provide timely, comprehensive and accurate information and to be honest and fair in your dealings with 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 via this means. There are two levels of information provided. The first is simple notification, which advises when applications have been received, and when Commission decisions are made.



These notifications include links to our website. More detailed information is provided if you wish to receive copies of all relevant documents. This second service is provided for a small annual fee. Documents are provided in pdf format. Please contact us if you wish to be added to either notification list.

Our internet site at [www.iasc.gov.au](http://www.iasc.gov.au) provides up-to-date information about the Commission's business. It includes summaries of current cases and Commission determinations and decisions. In addition, important documents can be found on the site, including the Act and the Minister's policy statement, as well as the Commission's procedures for handling applications.

If you do not have access to email or our internet site, notifications and copies of documents can be provided to you by facsimile or post, or if you visit our offices.

### Monitoring and review

We will monitor our performance against our service commitments. We encourage you to comment on our performance and to suggest ways to improve our service. If you are dissatisfied with any aspect of our service, it is important that you tell us so we can address your concerns. 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 the service standards we have set ourselves. We may invite your comments on our service performance, such as through a brief questionnaire. The results of the assessments will be summarised in our annual report. If you wish to receive a copy of the report, let us know and we will post it to you. Alternatively, the report can be downloaded from our internet site.

We will also review annually the service charter itself, to ensure that it is meeting your requirements. This may include arranging an independent review from time to time.

### Contact details

International Air Services Commission

Telephone: (02) 6267 1100

Facsimile: (02) 6267 1111

Email: [iasc@dotars.gov.au](mailto:iasc@dotars.gov.au)

Internet: [www.iasc.gov.au](http://www.iasc.gov.au)

Postal address: GPO Box 630, Canberra  
ACT 2601

Premises: 1st floor,  
15 Mort Street, Canberra

## Appendix 9—Commission office holders, 1992–2007

The following tables set out the Chairmen and Members of the Commission, and its Executive Directors, over the 15 years since the Commission was founded.

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 the present
John Martin	November 2003 to the present		

EXECUTIVE DIRECTORS	PERIOD
Tony Slatyer	July 1992 to November 1992
Ian Rischbieth	December 1992 to July 1995
Anne Buttsworth	August 1995 to October 1995
Neil Ada (acting)	October 1995 to May 1996
Danny Scorpecci	May 1996 to October 1997
Chris Samuel	October 1997 to February 2001
Michael Bird	February 2001 to the present

## Appendix 10 — Glossary of terms

Act	in this report, means the <i>International Air Services Commission Act</i> (1992), as amended.
Air services arrangements	are 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 or a decision, 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"> <li>• conducts, or proposes to conduct, an international airline service to and from Australia; and</li> <li>• 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.</li> </ul>
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 capacity is allocated uses that capacity.
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 and routes are not limited under the air services arrangements in question).
DOTARS	the Department of Transport and Regional Services.
Fifth freedom rights	are traffic rights enabling an airline to pick up and set down passengers between a bilateral partner nation and another nation.
Financial viability test	is a test applied to prospective new airlines by the Commission as part of its responsibility to ensure that capacity is allocated to an Australian carrier only if the carrier can demonstrate that it is reasonably capable of implementing its application.
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.
Handback	where a carrier decides it no longer wishes to use allocated capacity, and applies to return some or all of the capacity.
Interim determination	is a determination that is in force for three years, rather than the five (or in some cases ten) 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.
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	in this report, means a member of the Commission.
Minister's policy statement	is a written instrument made by the Minister for Transport and Regional Services under subsection 11(1) of the Act. It sets out the way in which the Commission is to perform its functions under the Act.

Ongoing employee	is a person engaged under subsection 22(2)(a) of the <i>Public Service Act 1999</i> on an ongoing basis.
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.
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. DOTARS maintains the Register.
Renewal determination	a new determination that renews an allocation of capacity made under a determination that is approaching its expiry. It may involve 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.
Slots	time-specific landing and take off rights granted to a carrier to operate into and out of a particular airport, usually by the airport owner/operator.
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.

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