



**PUBLIC REGISTER VERSION**

**QANTAS AIRWAYS LIMITED (QANTAS) RESPONSE TO  
THE COMMISSION'S DOCUMENT AND INFORMATION REQUEST DATED 16 NOVEMBER 2017  
IN RELATION TO AUTHORISATION REQUEST AA1000400**

Qantas provides the following response to the Commission's Document and Information Request dated 16 November 2017 in relation to Authorisation Request AA1000400 (**Information Request**).

As set out in the Applicants' application for revocation and substitution submitted to the Commission on 11 October 2017 (**Application**), the relationship with Emirates remains crucial to the ability of Qantas' international business to grow in a sustainable way in an intensely competitive global market. Qantas does not have the capital or geographic advantage required to grow sustainably and compete effectively with mid-point carriers on its own – and this has been borne out by the financial impact of the most recent significant capacity additions that other carriers such as Qatar Airways have introduced to and from Australia.

During a period of structural change across multiple markets, the Qantas-Emirates alliance has needed to evolve or risk becoming irrelevant and unworkable. With re-set commercial terms and network adjustments that enable each carrier to optimise efficient aircraft use and specialise in performance on complementary rather than overlapping routes, the Proposed Conduct enables continued delivery and further improvement of an enduringly popular customer proposition.

The **[REDACTED – QF CONFIDENTIAL]** documents provided in response to the Information Request are highly sensitive Board and commercial documents, disclosure of which would prejudice Qantas' business interests. Accordingly, the documents and this accompanying submission are provided to the Commission on a strictly confidential basis.

To assist the Commission, the documents are arranged in chronological order and some are redacted for relevance, as discussed with Fei Wu on 21 November 2017.

1. **Please provide any presentations, papers or reports prepared by or for, or provided to, the Qantas board or any board committee, or any member thereof, or prepared by or for or provided to a Relevant Executive, from 1 November 2014 until the date of this request, that:**
  - a. **consider or analyse the following matters referenced in the Applicants' submission received on 11 October 2017:**
    - i. **[REDACTED – CONFIDENTIAL]**

Please see documents provided **[REDACTED – QF CONFIDENTIAL]** in response to the Information Request.

**[REDACTED – QF CONFIDENTIAL]**

- ii. **capacity on the Australia to New Zealand route, including that 'the Qantas Group is inherently incentivised to provide high frequency services with capacity tailored to meet, rather than in any way restrict, demand', and/or**

Please see documents provided **[REDACTED – QF CONFIDENTIAL]** in response to the Information Request.

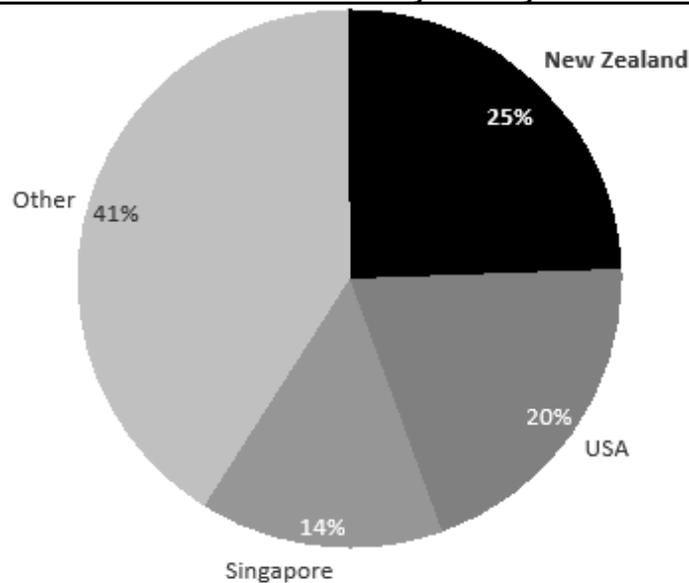
As set out in the Application, the Qantas Group is committed to serving the Tasman. It is core to the Group's network and is a key component of its corporate and leisure proposition for customers.

The long term strategic relevance of the Tasman is clear. The two countries are intrinsically linked geographically, socially, culturally and economically. It is the largest point to point international market for both Australians and New Zealanders and provides a key link for international visitors from Asia, the United States or Europe who choose to visit both countries at the same time. Inbound and outbound tourism to Australia relies heavily on Tasman services. Australia is overwhelmingly the largest source of visitors to New Zealand, with 1,463,504 visitors from Australia in 2017 (up 5.3 per cent from figures in 2016).<sup>1</sup> Likewise, New Zealand is the largest source of visitors to Australia, with 1,347,600 arrivals in the year ended September 2017.<sup>2</sup> The Tasman is also central to freight operations, given the key trading relationship between Australia and New Zealand.

The Qantas Group accordingly views the Tasman as one of its key strategic priorities and, unlike the fifth freedom operators, is inherently incentivised to invest in the market, treating it as a virtual extension of the Australian domestic network (and lobbying to make Australia-New Zealand cross-border travel a seamless passenger experience). The Group provides around 150 direct one way services per week between Australia and New Zealand and has expanded capacity – as set out in the Application – including through the launch of new routes such as Melbourne-Christchurch (Qantas), Brisbane-Christchurch (Qantas), Gold Coast-Queenstown (Jetstar) and Gold Coast-Wellington (Jetstar) and by increasing frequency on Sydney-Queenstown (Qantas). In addition, onward connectivity and revenue from New Zealand to Qantas' broader international network is extremely important, with Tasman feed providing in excess of [REDACTED – QF CONFIDENTIAL] in revenue to other international services.

Figures 1 and 2 below demonstrate that the Tasman is the Qantas Group's largest corporate and leisure international market.

**Figure 1: Business Market Breakdown by Country: Qantas and Jetstar**

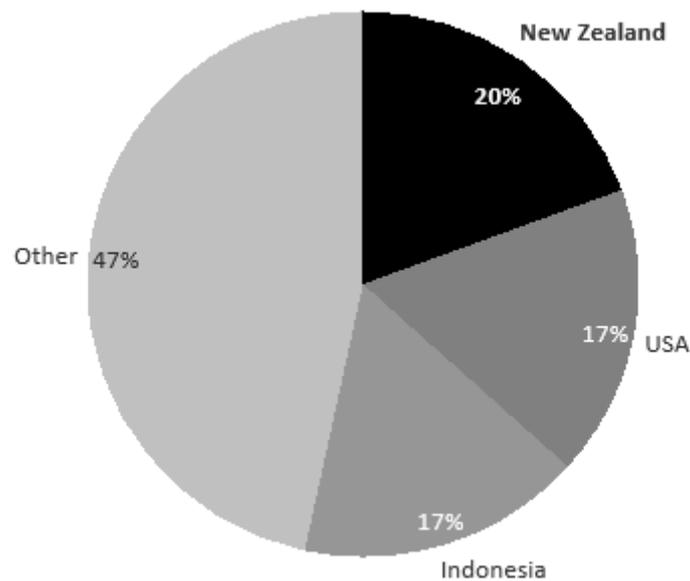


Source: Based on ABS Data with Trip Purpose 'Business', based on Discharge Country, from April 2016 to March 2017.

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<sup>1</sup> International visitor arrivals, NZ Stats, October 2017. Available: [www.stats.gov.nz/topics/tourism](http://www.stats.gov.nz/topics/tourism)

<sup>2</sup> International visitor arrivals, Tourism Australia, September 2017. Available: <http://www.tourism.australia.com/en/markets-and-research/tourism-statistics/international-visitor-arrivals.html>

**Figure 2: Leisure Market Breakdown by Country: Qantas and Jetstar**

Source: Based on ABS Data with Trip Purpose 'Holiday', based on Discharge Country, from April 2016 to March 2017.

The Qantas Group today has the largest presence it has ever had in New Zealand, including as a major employer. The Group is continually investing in product (such as refurbishing its 737 fleet which primarily services the Tasman), lounges, airports and marketing.

Qantas is committed to attracting and retaining key corporate and premium leisure traffic. [REDACTED – QF CONFIDENTIAL] The Tasman makes up a significant portion of many corporate entities' travel requirements, with staff making thousands of trips every year. In these circumstances it is essential that Qantas is able to provide sufficient frequencies to meet this demand and provide comprehensive and flexible corporate travel arrangements to those customers. [REDACTED – QF CONFIDENTIAL]

The Tasman is also a key part of the Qantas Frequent Flyer program, [REDACTED – QF CONFIDENTIAL] Qantas has a large and growing frequent flyer membership base of [REDACTED – QF CONFIDENTIAL] people in New Zealand (the biggest outside Australia) and is investing in building a coalition of loyalty partners in New Zealand, [REDACTED – QF CONFIDENTIAL].

Jetstar launched regional services in New Zealand in 2015 and has expanded significantly to now offer up to 250 return domestic services a week within New Zealand between nine New Zealand destinations; Auckland, Wellington, Christchurch, Dunedin, Queenstown, Napier, Nelson, New Plymouth and Palmerston North. The significant investment in Jetstar's regional services provides the Qantas Group with a further interest in ensuring that the Tasman is serviced sustainably over the longer term, particularly given the importance of providing feeder traffic between its domestic networks in Australia and New Zealand.

**iii. Qantas re-routing Sydney-Dubai-London services via Singapore.**

Please see the documents [REDACTED – QF CONFIDENTIAL] provided in response to the Information Request and the responses above.

As set out above, re-routing Sydney-London services via Singapore instead of Dubai was a carefully considered strategic evolution of the Qantas-Emirates alliance. This change recognised that the long term goal of being able to offer customers expanded network choice while still ensuring the sustainability of Qantas services to London were best served by being complementary to, rather than overlapping with, the Emirates network.

**b. record or consider key competitive pressures on, or strategic plans for, routes between:**

**i. Australia and London**

- ii. **Australia and New Zealand**
- iii. **Australia and Dubai, and**
- iv. **Australia and Singapore.**

Please see the documents **[REDACTED – QF CONFIDENTIAL]** provided in response to the Information Request and the responses above.

Qantas regularly monitors and takes into account competitor activity across all routes and markets. As the documents show, there have been significant additions of capacity and aggressive pricing by competitors, including Qatar Airways and Etihad, which have rapidly changed the dynamics of the Australia-UK/Europe and Tasman markets in particular. To ensure relevance and deliver on its original objectives, the Qantas-Emirates alliance needed to evolve, with network changes and strategy designed to enable each carrier to focus on its strengths and better compete in markets characterised by excess capacity.

- 2. Please provide presentations, papers or reports prepared by or for, or provided to, the Alliance Committee from 1 November 2014 until the date of this request, that consider the matters in Questions 1(a) and 1(b) above.**

Please see the documents **[REDACTED – QF CONFIDENTIAL]** provided in response to the Information Request.

- 3. Further to Confidential: Figure 12 of the Applicants' submission, please provide additional information regarding existing and expected Qantas services from Australia to New Zealand, including dates on which services will cease or commence, changes to aircraft types, departure times and frequency, and the impact on capacity.**

As set out in the Application, since the inception of the alliance, Qantas, Jetstar and Emirates have grown capacity on routes between Australia and New Zealand. In the period from April 2013 to March 2017, Qantas and Jetstar significantly increased seats on routes to Auckland (by 6,653 seats), Christchurch (by 131,586 seats), Wellington (by 140,100 seats) and Queenstown (by 211,890 seats). To Christchurch, new capacity added from Brisbane and Melbourne has provided enhanced connectivity to the broader Qantas and Emirates networks.

The alliance has also facilitated significant capacity expansion by Emirates to Auckland through the introduction of its direct Auckland-Dubai service in 2016. This service now provides one-stop connectivity between Auckland and Emirates' network beyond Dubai, improving connectivity and travel time for passengers who were previously travelling two-stop across the Tasman.

Implementing Emirates' network transition on the Tasman in a seamless way that benefits consumers would not be possible without the Proposed Conduct. Together, Qantas and Emirates have been able to work together in planning to backfill Emirates capacity with additional Qantas frequencies to meet remaining local demand, providing a scheduling and connectivity proposition that is far more suitable to a short haul market with a passenger base that values frequency and largely prefers economy to business class travel. The new Qantas services will maintain connectivity between the Tasman and the alliance's long haul services out of Australia. In turn, by facilitating this network transition, the alliance will give Emirates the ability to consider additional direct services between Australia and New Zealand and Dubai, bringing further benefits for consumers.

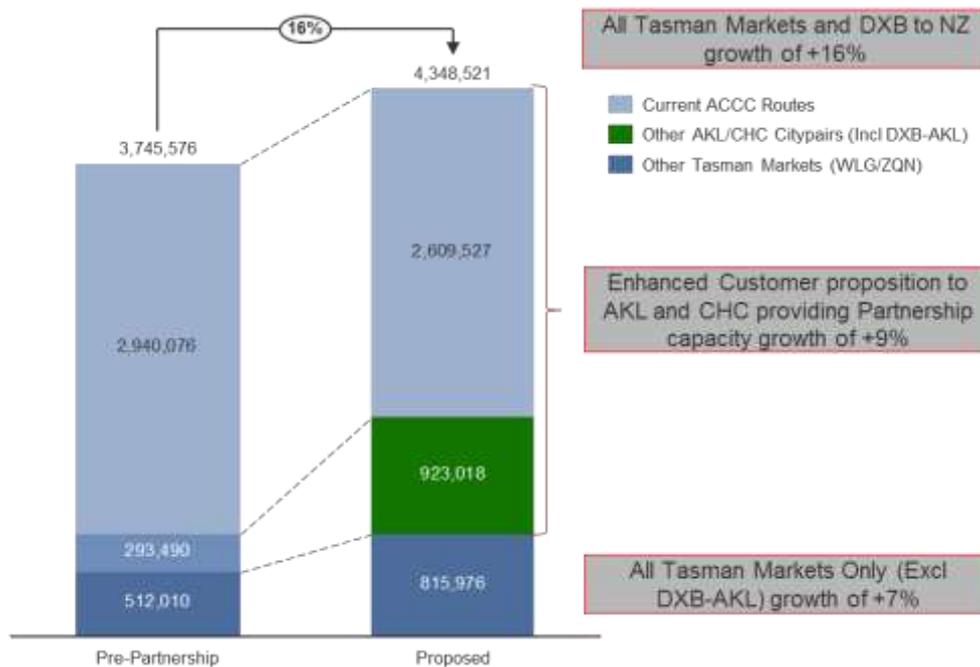
In total, Qantas intends to add around 10,500 seats on average per week from Sydney, Melbourne and Brisbane into Auckland. However, Qantas will not entirely backfill the withdrawn Emirates capacity between Australia and Auckland given the fundamental shift in demand dynamics – caused by the introduction of direct capacity to New Zealand – that has significantly reduced transit traffic flows across the Tasman.

The impact of the proposed Qantas and Emirates changes to the Auckland services must be assessed from a broader Tasman perspective. After the changes have been implemented, relative to pre-alliance capacity (i.e. pre 31 March 2013) levels, overall alliance capacity will increase by:

- 9 per cent to Auckland (including Emirates’ new Dubai-Auckland service) and Christchurch;
- 7 per cent on the Tasman; and
- 16 per cent to New Zealand.

These increases are reflected in Figure 3 below.

**Figure 3: Increase in Alliance Capacity to New Zealand, Pre-Alliance Year and Proposed 2018 Schedule**



*Note: Current 'ACCC Routes' refers to the Overlapping Routes of Sydney-Auckland, Melbourne-Auckland, Brisbane-Auckland and Sydney-Christchurch.*

### Sydney-Auckland

Additional Qantas services between Sydney and Auckland commenced in July 2017, upon the withdrawal of Emirates’ single daily A380 service from this route. Qantas’ additional services have already provided consumers with increased schedule choice, with five new frequencies taking the total number of frequencies to 35 per week. Given that the Tasman market is frequency sensitive, this better matched capacity to demand.

Figure 4 below sets out the difference between a sample week in the Northern Summer 2017 scheduling season and a sample week in the proposed Northern Summer 2018 scheduling season.

**Figure 4: Qantas Flights Sydney-Auckland, Northern Summer 2017 and Proposed Northern Summer 2018**

SYD-AKL – Northern Summer 17 Schedule – Example Week												SYD-AKL – Northern Summer 18 Schedule – Example Week											
SYD AKL												SYD AKL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL	FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
141	0710	1220		73H	7	141	0715	1220		73H	7												
143	0845	1355		73H	7	143	0955	1500		330	330	330	330	330	330	330	7						
145	1115	1625		73H	7	145	1145	1650		73H	7												
147	1315	1825						73H		73H	2	147	1600	2105		73H	7						
149	1845	2355		73H	7	149	1830	2330		330	330	330	330	330	73H	330	7						
Total				4	4	4	4	5	4	5	30	Total				5	5	5	5	5	5	5	35
AKL SYD												AKL SYD											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL	FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
140	0650	0830		73H	7	140	0645	0825		330	330	330	330	330	330	73H	7						
142	0835	1015		73H	7	142	0845	1025		73H	7												
144	1310	1450		73H	7	144	1310	1450		73H	7												
146	1605	1745						73H		73H	2	146	1515	1655		330	330	330	330	330	330	330	7
148	1800	1940		73H	7	148	1915	2055		73H	7												
Total				4	4	4	4	5	4	5	30	Total				5	5	5	5	5	5	5	35

As Figure 4 shows, in the Northern Summer 2017 season, Qantas did not operate any wide-body A330 aircraft between Sydney and Auckland. In Northern Summer 2018, Qantas proposes to operate wide-body A330 aircraft daily from Sydney in respect of the mid-morning departure (Flight 143) and six times a week in respect of the evening departure (Flight 149). From Auckland, Qantas intends to operate wide-body A330 aircraft 6 times a week in respect of the second morning departure (Flight 142) and daily on the mid-afternoon departure (Flight 146). The new schedule will provide consumers with greater choice, given that the Northern Summer 2017 schedule only operated Flight 147 from Sydney and Flight 146 from Auckland twice a week. Going forward, consumers will have the choice of five different departure times every day of the week.

Since Emirates withdrew from the Sydney-Auckland route, Qantas has added around 3,700 extra return seats per week (1,850 seats each way per week). The net reduction in overall alliance seats<sup>3</sup> on the route is around 3,100 seats per week (1,550 seats each way).

*Melbourne-Auckland*

Qantas intends to commence its new Melbourne-Auckland services on 25 March 2018. In assisting to backfill withdrawn Emirates capacity, Qantas will be adding approximately 80 per cent more seats on this route relative to its current operations in certain months.

The new services will offer consumers greater itinerary choice, with multiple departures spread across different time channels, compared to the current single daily Emirates frequency. The services which will be operated by wide-bodied A330 aircraft (271 seats, though configurations may vary with particular aircraft through a season) will connect to Qantas’ London services (via Perth or Singapore) and Emirates’ services between Australia and Dubai. In addition, a new Melbourne-Auckland service departing Melbourne at 11.35pm and arriving in Auckland at 5.05am (local time) would create a new daily opportunity for overnight freight.

Figure 5 below sets out the difference between a sample week in the Northern Summer 2017 scheduling season and a sample week in the proposed Northern Summer 2018 scheduling season.

<sup>3</sup> Jetstar will not be making any changes to its schedule between Sydney and Auckland at this stage.

**Figure 5: Qantas Flights Melbourne-Auckland, Northern Summer 2017 and Proposed Northern Summer 2018**

MEL-AKL – Northern Summer 17 Schedule – Example Week											
MEL AKL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
153	0700	1235		73H	7						
155	1645	2320		73H			73H	73H		73H	4
151	2335	0505	1	73H				73H	73H	73H	4
Total				3	1	1	2	3	2	3	15
AKL MEL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
152	0715	0925		73H	73H	73H	73H	73H	73H		6
154	1335	1545		73H			73H	73H	73H	73H	7
156	1930	2140		73H				73H	73H	73H	7
Total				3	1	1	2	3	3	2	28

MEL-AKL – Northern Summer 18 Schedule – Example Week											
MEL AKL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
153	0745	1320		73H	7						
159	1045	1620		330	330	330	330	330	330	330	7
155	1815	2350		73H	7						
151	2335	0505	1	330	330	330	330	330	330	73H	7
Total				4	4	4	4	4	4	4	28
AKL MEL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
152	0600	0815		73H	7						
158	1200	1415		330	330	330	330	330	330	73H	7
154	1500	1715		73H	7						
156	1800	2015		330	330	330	330	330	330	330	7
Total				4	4	4	4	4	4	4	28

As Figure 5 shows, in the Northern Summer 2017 season, Qantas did not operate any wide-body A330 aircraft between Melbourne and Auckland. In Northern Summer 2018, Qantas intends to operate wide-body A330 aircraft daily from Melbourne in respect of the mid-morning departure (Flight 159) and 6 times a week in respect of the evening departure (Flight 151). From Auckland, Qantas intends to operate wide-body A330 aircraft 6 times a week in respect of the midday departure (Flight 158) and daily on the evening departure (Flight 156). Whereas the Northern Summer 2017 schedule only operated 15 frequencies from Melbourne to Auckland, in Northern Summer 2018 consumers will have the choice of 28 frequencies. The existing 28 frequencies from Auckland to Melbourne will also be retained.

On average, around 4,800 return seats per week (2,400 seats each way) will be added by Qantas to the Melbourne-Auckland route. Following the Qantas and Emirates adjustments, the net reduction in overall alliance seats<sup>4</sup> on the route will be around 2,100 seats per week (1,050 seats each way).

*Brisbane-Auckland*

Qantas intends to commence new Brisbane-Auckland services on 25 March 2018. This will be operated by an A330 aircraft, with 271 seats (though configurations may vary with particular aircraft used through a season). The services will depart from Brisbane, having connected to inbound international flights such as from Tokyo (Narita), Los Angeles, Hong Kong and Singapore. The aircraft will then return from Auckland to Sydney, to connect to outbound international flights such as to Bangkok, Tokyo (Haneda) and Honolulu.

Figure 6 below sets out the difference between a sample week in the Northern Summer 2017 scheduling season and a sample week in the proposed Northern Summer 2018 scheduling season.

**Figure 6: Qantas Flights Brisbane-Auckland, Northern Summer 2017 and Proposed Northern Summer 2018**

BNE-AKL – Northern Summer 17 Schedule – Example Week											
BNE AKL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
123	0910	1420		73H	7						
125	1845	2355		73H			73H	73H	73H	73H	5
Total				2	1	1	2	2	2	2	12
AKL BNE											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
124	0620	0815		73H	7						
126	1550	1745		73H			73H	73H	73H	73H	5
Total				2	1	1	2	2	2	2	12

BNE-AKL – Northern Summer 18 Schedule – Example Week											
BNE AKL											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
123	0845	1355		330	330	330	330	330	330	330	7
119	1245	1755					73H		73H		2
125	1845	2350		73H	7						
Total				2	2	2	3	2	3	2	16
AKL BNE											
FLTS	STD	STA	+/-	Mon	Tue	Wed	Thu	Fri	Sat	Sun	TTL
120	0615	0810		73H	7						
124	1015	1210								73H	1
126	1625	1820		330	330	330	330	330	330	330	7
124	1900	2055					73H				1
Total				2	2	2	3	2	2	3	16

<sup>4</sup> Jetstar will not be making any changes to its schedule between Melbourne and Auckland at this stage.

As Figure 6 shows, in the Northern Summer 2017 season, Qantas did not operate any wide-body A330 aircraft between Brisbane and Auckland. In Northern Summer 2018, Qantas intends to operate wide-body A330 aircraft daily from Brisbane in respect of the morning departure (Flight 123). From Auckland, Qantas proposes to operate wide-body A330 aircraft daily on the late afternoon departure (Flight 126). Whereas the Northern Summer 2017 schedule only operated 12 frequencies from Melbourne to Auckland and 12 frequencies from Auckland to Brisbane, in Northern Summer 2018 consumers will have the choice of 16 frequencies in both directions.

On average, around 2,000 return seats per week (1,000 seats each way) will be added by Qantas to the Brisbane-Auckland route. Following the Qantas and Emirates adjustments, the net reduction in overall alliance seats<sup>5</sup> on the route will be around 4,700 seats per week (2,350 seats each way).

Therefore, while on a narrow analysis relative to current operations there will be a net reduction in seats on Sydney, Melbourne and Brisbane services to Auckland, this must be assessed in the context of the considerable overall growth that the alliance has facilitated since 2012 across the Tasman and to Auckland, as set out above.

We look forward to discussing this response further in our meeting. If you have any further queries in the meantime, we are happy to discuss at any time.

1 December 2017

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<sup>5</sup> Jetstar does not currently operate on the Brisbane-Auckland route.