

APPLICATION FOR REVOCATION AND SUBSTITUTION – FORM

Applicants

1. Provide details of the applicants for revocation and substitution, including:

1.1. name, address (registered office), telephone number, and ACN

Qantas Airways Limited
ABN 16 009 661 091
10 Bourke Road
Mascot NSW Australia 2020
Phone details below

China Eastern Airlines Corporation Limited
No:913100007416029816
No.36 3rd Hongxiang Road
Shanghai 201101 PR China
Phone details below

1.2. contact person's name, position, telephone number, and email address

Qantas
Michele Laidlaw
Head of Legal – Group Legal
Qantas Airways Limited
Phone: [REDACTED]
Email: [REDACTED]

Pu Rui
Manager of Commercial Cooperation
Commercial Committee
China Eastern Airlines
Phone: [REDACTED]
Email: [REDACTED]

1.3. a description of business activities

The provision of domestic and international passenger and freight services. Please refer to the submission for further details.

1.4. email address for service of documents in Australia

Qantas: [REDACTED]

China Eastern: [REDACTED]

Authorisation to be revoked (the existing authorisation)

2. Provide details of the authorisation sought to be revoked including:

2.1. the registration number and date of the authorisation which is to be revoked

Authorisations A91470 and A91474 dated 21 August 2015.

2.2. other persons and/or classes of persons who are a party to the authorisation which is to be revoked

Not applicable. Applicant details provided above.

2.3. the basis for seeking revocation, for example because the conduct has changed or because the existing authorisation is due to expire

The current authorisations are due to expire on 31 October 2020.

Authorisation to be substituted (the new authorisation)

3. If applicable, provide details of any other persons and/or classes of persons who also propose to engage, or become engaged, in the proposed conduct and on whose behalf authorisation is sought. Where relevant provide:

3.1. name, address (registered office), telephone number, and ACN

3.2. contact person's name, telephone number, and email address

3.3. a description of business activities.

Not applicable. Details of Applicants listed above and list of related bodies corporate contained within Annexure A to attached Application.

The proposed conduct

4. Provide details of the proposed conduct, including:

4.1. a description of the proposed conduct and any documents that detail the terms of the proposed conduct

Qantas and China Eastern wish to continue their coordination under the terms of an Extended Joint Coordination Agreement, originally executed in 2014 and extended for a further 18 months (until March 2022) by a variation executed in June 2020. Please refer to attached Application for further detail and to the commercial agreements in Confidential Annexure B of the Application.

4.2. an outline of any changes to the conduct between the existing authorisation and the new authorisation

The conduct has not changed in any material respect since the existing authorisation was granted in 2015. Please refer to attached Application for further detail.

4.3. the relevant provisions of the Competition and Consumer Act 2010 (Cth) (the Act) which might apply to the proposed conduct, ie:

- cartel conduct (Division 1 of Part IV)
- contracts, arrangements or understandings that restrict dealings or affect competition (s. 45)
- concerted practices (s. 45)
- secondary boycotts (sections 45D, 45DA, 45DB, 45E, 45EA)
- misuse of market power (s. 46)
- exclusive dealing (s.47)
- resale price maintenance (s. 48) and/or
- a dual listed company arrangement (s. 49)

Authorisation is sought in respect of Division 1 of Part IV, section 45 and section 47 of the Act.

4.4. the rationale for the proposed conduct

Please refer to attached Application for further detail.

4.5. the term of authorisation sought and reasons for seeking this period.

The Applicants seek authorisation for 18 months until 31 March 2022. A short extension is sought in the current circumstances given the crisis and market uncertainty caused by the COVID-19 Pandemic. Please refer to attached Application for further detail.

5. Provide the name of persons, or classes of persons, who may be directly impacted by the proposed conduct (e.g. targets of a proposed collective bargaining arrangement; suppliers or acquirers of the relevant goods or services) and detail how or why they might be impacted.

Please refer to attached Application.

Market information and concentration

6. Describe the products and/or services, and the geographic areas, supplied by the applicants. Identify all products and services in which two or more parties to the proposed conduct overlap (compete with each other) or have a vertical relationship (e.g. supplier-customer).

Please refer to attached Application.

7. Describe the relevant industry or industries. Where relevant, describe the sales process, the supply chains of any products or services involved, and the manufacturing process.

Please refer to attached Application.

8. In respect of the overlapping products and/or services identified, provide estimated market shares for each of the parties where readily available.

Please refer to attached Application.

9. In assessing an application for authorisation, the ACCC takes into account competition faced by the parties to the proposed conduct. Describe the factors that would limit or prevent any ability for the parties involved to raise prices, reduce quality or choice, reduce innovation, or coordinate rather than compete vigorously. For example, describe:

9.1. existing competitors

9.2. likely entry by new competitors

9.3. any countervailing power of customers and/or suppliers

9.4. any other relevant factors.

Please refer to attached Application.

Public benefit

10. Describe the benefits to the public that are likely to result from the proposed conduct. Refer to the public benefit that resulted under the authorisation previously granted. Provide information, data, documents or other evidence relevant to the ACCC's assessment of the public benefits.

Please refer to attached Application.

Public detriment including any competition effects

11. Describe any detriments to the public likely to result from the proposed conduct, including those likely to result from any lessening of competition. Refer to the public detriment that may have resulted under the authorisation previously granted. Provide information, data, documents, or other evidence relevant to the ACCC's assessment of the detriments.

Please refer to attached Application.

Contact details of relevant market participants

12. Identify and/or provide names and, where possible, contact details (phone number and email address) for likely interested parties such as actual or potential competitors, customers and suppliers, trade or industry associations and regulators.

Please refer to attached Application.

Additional information

13. Provide any other information or documents you consider relevant to the ACCC's assessment of the proposed application.

Please refer to attached Application.

Declaration by Applicant(s)

Authorised persons of the applicant(s) must complete the following declaration. Where there are multiple applicants, a separate declaration should be completed by each applicant.

The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere.

The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application.

The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).

Signature of authorised person



Office held: General Counsel and Company Secretary, Qantas Airways Limited

Name of authorised person: Andrew Finch

This 22nd day of July 2020

Note: If the Applicant is a corporation, state the position occupied in the corporation by the person signing. If signed by a solicitor on behalf of the Applicant, this fact must be stated.

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Authorised persons of the applicant(s) must complete the following declaration. Where there are multiple applicants, a separate declaration should be completed by each applicant.

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The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application.

The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).

Signature of authorised person

Office held: General Counsel of China Eastern Airlines

Name of authorised person: GUO JUN XIU



This 6th day of July 2020

Note: If the Applicant is a corporation, state the position occupied in the corporation by the person signing. If signed by a solicitor on behalf of the Applicant, this fact must be stated.

Public Version

Application for Revocation and Substitution



**Qantas Airways Limited
(ABN 16 009 661 901)**

and

**China Eastern Airlines Corporation Limited
(ABN 18 075 465 575)**

Joint Coordination Agreement

**Submission to the
Australian Competition & Consumer Commission**

31 July 2020

EXECUTIVE SUMMARY

Qantas Airways Limited (**Qantas**) and China Eastern Airlines Corporation Limited (**China Eastern**) and certain related entities¹ (together, the **Applicants**) apply to the Australian Competition and Consumer Commission (**Commission**) seeking urgent revocation of existing conditional authorisations A91470 and A91474² and substitution with authorisation of the Extended Joint Coordination Agreement (**Extended JCA**)³ under which they will continue their alliance and coordinate on operations between Australia and mainland China for a further 18 months from October 2020 until March 2022 (**Proposed Conduct**). The intention will be to then seek a further extension of the Proposed Conduct beyond 2022.

The outbreak of the Novel coronavirus (COVID-19), first reported in Wuhan, China, on 31 December 2019 and since declared a pandemic by the World Health Organization⁴ (**COVID-19 Pandemic**) and the subsequent flight, entry and quarantine restrictions imposed by various Governments, has had an unprecedented impact on all carriers' services globally, including on routes between Australia and China. On 18 March 2020, the Australian Government issued 'do not travel' advice to all Australians regardless of their destination.⁵ On 24 March 2020, the Australian Prime Minister imposed a ban on all Australians travelling overseas.⁶

In addition, the Ministry of Foreign Affairs of the People's Republic of China made further announcements in late March 2020 regarding the temporary suspension of entry regarding foreign nationals⁷ and the Civil Aviation Administration of China published a notice regarding the further reduction of international passenger flights which will apply from 29 March 2020.⁸

As at the date of this application, Qantas has been forced to suspend its passenger operations to mainland China until at least the end of October 2020.⁹ China Eastern has also cancelled services between Australia and China as the crisis has unfolded and, in light of the recent Government announcements in both Australia and China, has resumed only Shanghai-Sydney services once a week, and the rest of flights from China to Australia will be restored depending on the further policies.

These market changes are unprecedented. Seeking a short term extension of the current alliance gives the Applicants the best and fastest ability to restore confidence and sustainable services to consumers and businesses of both Australia and China in the short-medium term after the COVID-19 Pandemic eases, whilst also providing the certainty to plan and implement other customer benefits in the long term. An extension of the current alliance from October 2020 until March 2022 would provide the Applicants with the ability to work together for a further 18 month period past expiry of the current authorisation. This 18 month period encompasses three scheduling seasons, over which time it is hoped that supply and demand dynamics on international passenger and cargo markets will start to 'normalise'¹⁰ and the Applicants can better plan for a longer term cooperation beyond that, subject to ongoing approval from relevant authorities.

Qantas' flights between Sydney and Shanghai will be more likely to be successfully reinstated and sustainable if the market rebuilding process can be coordinated with China Eastern. Specifically, if the alliance continues beyond October 2020, each Applicant's flights can continue to be sold and supported

¹ See list of related entities of both Qantas and China Eastern covered by this Application in Annexure A.

² Commission Determination in relation to Applications for Authorisation lodged by Qantas Airways Limited and China Eastern Airlines Corporation Limited in respect of a Joint Coordination Agreement, 21 August 2015, Authorisation Numbers A91470 and A91474. Available: <http://registers.acc.gov.au/content/index.phtml/itemId/1182892/fromItemId/401858/display/accDecision>

³ See Confidential Annexure B which includes the JCA and associated agreements including the Variation Agreement signed in July 2020.

⁴ World Health Organization, 11 March 2020. See: <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen>

⁵ See: <https://www.smartraveller.gov.au/crisis/covid-19-and-travel> (accessed 18 March 2020).

⁶ See: <https://www.pm.gov.au/media/update-coronavirus-measures-24-March-2020>

⁷ See further: https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1761867.shtml

⁸ See further: http://www.caac.gov.cn/en/XWZX/202003/t20200326_201748.html

⁹ On 10 March 2020, the Qantas Group announced widespread network changes impacting international services operated by Qantas, Jetstar, Jetstar Japan and Jetstar Pacific, reducing capacity by almost a quarter for the 6 months following. See <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response/> This was followed on 17 March 2020 by a further announcement regarding significant changes to both the international and domestic networks across the Group. See: <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response-2/> Additional announcements on 19 March 2020 followed. See: <https://www.qantasnewsroom.com.au/media-releases/qantas-group-outlines-customer-and-employee-impact-of-coronavirus-related-network-cuts/> On 17 June 2020, the Qantas Group announced continued suspension of its international flying (with the exception of Tasman routes) until the end of October 2020. See: https://www.qantas.com/au/en/travel-info/travel-updates/coronavirus/qantas-international-network-changes.html?int_cam=au%3Acoronavirus%3Aarticle%3Ainternational-flights%3Aen%3AAnn

¹⁰ IATA forecasts that global RPKs will recover to 2019 levels in 2023, two years behind GDP recovery. See: <https://www.iata.org/en/iata-repository/publications/economic-reports/covid-19-outlook-for-air-travel-in-the-next-5-years/>

by the other to the fullest extent possible under the Extended JCA, particularly through using each other's inventory and distribution networks to stimulate a recovery in demand through joint sales and marketing activities. When market dynamics normalise in due course, the Applicants will then work together to identify any opportunities for potential future growth.

Qantas and China Eastern entered the original JCA in November 2014 (**Original JCA**). The Original JCA was conditionally authorised by the Commission on 21 August 2015 for a period of five years and was notified to the National Development and Reform Commission (**NDRC**) in China in December 2014¹¹. In July 2020, the Original JCA was varied to extend the term for a further 18 months, without any material changes to its provisions.¹²

Since the commencement of the alliance on 1 November 2015, Qantas and China Eastern have delivered significant public benefits in what has proven to be an intensely competitive and challenging environment. A key benefit has been the introduction of substantial additional capacity between Australia and China. In 2015, both carriers offered 4.2 flights on average per day from Australia to China. This grew to 7.3 flights on average per day in 2019, equivalent to a compound annual growth rate (**CAGR**) of 15%. This growth has been reflected in:

- the commencement of new routes operated by China Eastern (Sydney-Hangzhou-Beijing, Sydney-Kunming, Brisbane-Shanghai and Sydney-Wuhan-Xian) and by Qantas between Sydney and Beijing¹³. In addition to these services, China Eastern commenced the Perth-Shanghai route¹⁴ in 2020; and
- increased frequencies and aircraft upgauges by China Eastern on both the Sydney-Shanghai and Melbourne-Shanghai routes.

China Eastern's significant capacity growth to Australia since 2015 has been expedited by the alliance and deployed to maximise benefits for customers of both China Eastern and Qantas. Although China Eastern would grow its capacity to Australia without the Original JCA, its growth would not have happened as quickly and as effectively without the commercial coordination with Qantas. Having a Chinese partner has enabled Qantas to offer a seamless customer proposition throughout China and to better align its product offering to demand characteristics, which has been particularly important in circumstances where Qantas has not been able to add any capacity to China and its market share has declined.

Qantas passengers have benefitted from the expansion of capacity by China Eastern, with the codeshare between the carriers extending to cover all year round routes between Australia and China. As a result of the alliance, Qantas passengers can book and travel on Qantas code beyond Shanghai to over 23 destinations in mainland China, compared to only 11 destinations pre-alliance. Qantas now places its code on 620 flights per week operated by China Eastern in mainland China, compared to 236 flights in March 2014.¹⁵

Likewise, having an Australian partner has enabled China Eastern to access sales and distribution capability within Australia, as well as additional product and service expertise, in order to attract and retain increased traffic and offer seamless travel to secondary and regional cities served by Qantas, such as Albury and Devonport. Prior to the alliance, China Eastern could sell seats on its code on 733 Qantas flights per week to eight destinations in Australia,¹⁶ whereas with the alliance China Eastern can sell seats on its code on 1,133 Qantas flights per week to 26 destinations in Australia, facilitating inbound tourism to regional areas of Australia.

Going forward, the public benefits of continuing the alliance, even on a short term 18 month basis initially, are significant. As discussed further below, these public benefits include:

- the faster and more sustainable reinstatement of capacity that has been suspended as a result of the COVID-19 Pandemic. Without authorisation, Qantas' single remaining service between

¹¹ Receipt of acknowledgement from the NDRC to the Applicants, dated 9 December 2014.

¹² See Confidential Annexure B.

¹³ As explained further below, Qantas ceased operating the Sydney-Beijing service on 9 February 2020 as a result of the COVID-19 Pandemic, having announced in November 2019 that it would exit that route in March 2020.

¹⁴ New Perth-Shanghai seasonal five weekly services were operated by China Eastern from January 2020 until 10 February 2020, when they were suspended as a result of the COVID-19 Pandemic.

¹⁵ Based on Northern Winter 2019 schedule prior to COVID-19 Pandemic.

¹⁶ Based on September 2015 schedule.

Australia and China (Sydney-Shanghai) is further jeopardised and China Eastern may not reinstate as many services to Australia;

- potential new capacity growth, if demand sufficiently recovers post the COVID-19 Pandemic. Without authorisation, any expansion will not occur or will not occur as quickly;
- the continued offer of an expanded range of codeshare destinations, shorter journey times, improved connectivity and increased schedule choice allowing customers of both carriers to more easily book and travel to a wider range of destinations to and within China and Australia after the COVID-19 Pandemic eases and demand recovers. Without authorisation, the Applicants will retract the codeshare to a far more limited arms-length arrangement, reducing choice, convenience and flexibility for both carriers' customers;
- the continued joint promotion of tourism in Australia and enhanced international trade opportunities for Australian businesses, particularly important as the Australian economy seeks to recover from the severe impacts of the COVID-19 Pandemic. Without authorisation, this will not occur or would only occur more slowly and less effectively;
- the continued offer of benefits for members of both Applicants' frequent flyer programs in the future post the COVID-19 Pandemic. Without authorisation, the Applicants would review these benefits and be unlikely to continue tiered frequent flyer benefits such as lounge access and priority services;
- improved products and services for customers of both carriers once flying resumes after the COVID-19 Pandemic. Without authorisation, the Applicants will not have the incentive to facilitate smooth connections, integrate customer service or develop new joint products; and
- the continued offer of greater availability and variety of price points for customer of both carriers, through reciprocal inventory access. Without authorisation, there will be no incentive to enable widespread access to inventory (particularly in relation to long haul routes), meaning that fewer price points will be able to be offered.

Authorisation will not result in any competitive detriment, particularly in circumstances where the Applicants are currently only seeking a short term extension of the current alliance. When the market recovers after the COVID-19 Pandemic, it is expected that intense competition will continue to characterise all routes between Australia and China. Continuation of the alliance will not produce any artificial contraction of capacity or fare increases, nor will it deter new entry or make exit more likely. The Applicants will continue to remain constrained by all the major operators, particularly those that receive Government support to help survive the COVID-19 Pandemic. China Southern, Air China, Sichuan Airlines, Xiamen Airlines, Hainan Airlines, Beijing Capital Airlines, Tianjin Airlines, Donghai Airlines and indirect operators such as Cathay Pacific and Singapore Airlines, all of whom have been aggressive and effective competitors on services between Australia and China, are expected to be actively seeking to attract and retain passengers as consumer confidence rebuilds in due course.

The test for authorisation of the Proposed Conduct is therefore satisfied, particularly in circumstances where:

- at this stage, given the current market conditions, the Applicants are seeking only a short term extension of the current alliance arrangements;
- the actual and likely benefits are significant – and even more critical in the current circumstances of the COVID-19 Pandemic – and will not be delivered, or will only be delivered to a much reduced extent, in the counterfactual position; and
- there will be no competitive detriment in continuing the alliance, given the minimal operating overlap on a single route (Sydney-Shanghai) in an intensely competitive market.

Importantly, however, it will not be possible to proceed with the alliance for any future term if authorisation is conditional on capacity growth. As set out further below, the COVID-19 Pandemic has caused a precipitous decline in global aviation demand, including on the market between Australia and

China. In particular, China Eastern, having delivered significant capacity expansion since 2015, will not be able to profitably deploy any further increases to satisfy an ongoing CAGR requirement.

A condition of authorisation which would require the Applicants to deliver a CAGR of any level over any term on routes between Australia and Shanghai is not going to be possible to comply with in practice. Moreover, being required to add capacity that bears no resemblance to demand would lead to a situation of excess capacity and likely strain on both Applicants' reinstated services. The Applicants would be forced to fill seats on an unprofitable or even below cost basis, which will ultimately be likely to lead to the permanent withdrawal and/or cancellation of services, to the detriment of consumers and businesses.

In addition, the Applicants do not consider that a condition requiring the maintenance of a base line level of capacity on the Sydney-Shanghai route or Australia-Shanghai routes is practical, appropriate or necessary. Even prior to the COVID-19 Pandemic, the commencement of a significant number of new routes by new operators has pulled traffic away from the Sydney-Shanghai route as consumers actively take up alternative journey options. A condition that deprived the Applicants from having the operational flexibility to respond to such changes in demand would be untenable from a commercial perspective. In any event, determining an appropriate 'base year' for any such requirement is not practicable given the significance of current market disruptions and uncertainty.

Finally, the Applicants seek urgent interim authorisation to facilitate the immediate planning and coordination of services that will be operated after 31 October 2020 when the current authorisation is due to expire. Interim authorisation is appropriate and reasonable in the current uncertain market circumstances. The Applicants request that it is granted as soon as possible by the Commission on the basis that the Proposed Conduct is inherently pro-competitive and will enable the immediate continuation of significant, substantiated public benefits at a time of great challenge to consumers seeking to travel, and Australian businesses seeking to import or export, between Australia and China. As set out further below, allowing immediate commercial coordination including joint selling to continue seamlessly throughout 2020 will ensure that services, once reinstated, have the best prospect of success. In turn, this will expedite the public benefits that will flow in the medium-long term once services are fully operational. Interim authorisation will not give rise to permanent changes to the relevant market dynamics or cause any detriment to consumers or others given that the Applicants are already coordinating operations pursuant to the existing authorisation.

By contrast, if the Applicants are required to wait until closer to October 2020 to be permitted to coordinate in respect of conduct past that date, they will be unable to continue to properly plan for recovery of the Australia-China services post the COVID-19 Pandemic, creating confusion, uncertainty and delay in developing a competitive and sustainable proposition for consumers, corporate clients and industry partners.

THE APPLICANTS

This application covers coordination between Qantas, Jetstar Airways Pty Ltd (**Jetstar**), Jetstar Asia Airways Pte Limited, which is incorporated in Singapore and of which the Qantas Group has a 49 per cent interest (**Jetstar Asia**), China Eastern and its related body corporate Shanghai Airlines Co Ltd (**Shanghai Airlines**).

Qantas

Qantas was incorporated in Queensland, Australia in 1920. It is Australia's largest domestic and international airline. Prior to the COVID-19 Pandemic, Qantas operated more than 4,500 flights per week in Australia and over 730 internationally. Qantas also operates airline related businesses including airport support services, freight operations, loyalty programs and engineering.

The international destinations to which Qantas operates are set out in Table 1 below and in the route map included as Annexure C to this submission. All of these services have been impacted by the COVID-19 Pandemic and operations are being monitored regularly.¹⁷

¹⁷ Please see Qantas Group announcement on 10 March 2020. Available: See <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response/>. See also: <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response-2/> and <https://www.qantasnewsroom.com.au/media-releases/qantas-group-outlines-customer-and-employee-impact-of-coronavirus-related-network-cuts/>

Table 1: Qantas International Destinations (Ex Australia), Pre- COVID-19 Pandemic

Region	Destinations
Pacific	Auckland, Christchurch, Wellington, Queenstown, Noumea, Port Moresby, Nadi
Asia	Bangkok, Hong Kong, Jakarta, Manila, Shanghai ¹⁸ , Singapore, Tokyo Haneda, Tokyo Narita, Sapporo, Osaka, Bali-Denpasar
Europe	London
Americas	Dallas/Fort Worth, New York, Los Angeles, San Francisco, Honolulu, Chicago, ¹⁹ Santiago, Vancouver
Africa	Johannesburg

As at March 2020, the Qantas Group had a total passenger fleet of over 270 aircraft, comprising Boeing 787s, 747s, 737s and 717s, Airbus A380s, A330s, A321s and A320s, Bombardier Dash 8s and Bombardier Q400s and Fokker 100s.

The Qantas Group is currently a party to an alliance with Emirates, which was conditionally re-authorised for five years by the Commission on 23 March 2018²⁰ and an alliance with American Airlines, which was re-authorised for five years by the Commission on 25 February 2016.²¹

Jetstar and Jetstar Asia

Jetstar is a vital part of the Qantas Group's domestic and international operations. It operates low-cost, value based services in domestic Australia and to the following international destinations, as shown in Table 2 below. Again, all of these services have been impacted by the COVID-19 Pandemic and operations are being monitored regularly.²²

Table 2: Jetstar International Destinations, Pre- COVID-19 Pandemic

Region	Destinations
Pacific	Auckland, Christchurch, Queenstown, Wellington, Nadi, Rarotonga
South East Asia	Bangkok ²³ , Phuket, Denpasar-Bali, Ho Chi Minh City, Singapore ¹
North East Asia	Osaka, Seoul-Incheon ²⁴ , Tokyo-Narita

¹⁸ Services were suspended from 9 February 2020 until at least mid July 2020 as a result of the COVID-19 Pandemic.

¹⁹ Services between Brisbane and Chicago were intended to commence on 15 April 2020 but have been postponed as a result of the COVID-19 Pandemic.

²⁰ Commission Determination in relation to Applications for Revocation and Substitution lodged by Qantas Airways Limited and Emirates in respect of a Restated Master Coordination Agreement to coordinate air passenger and cargo transport operations and other related services Authorisation Number AA1000400, 28 March 2018. Available: <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-airways-limited-emirates>

²¹ Commission Determination in relation to Applications for Revocation and Substitution lodged by Qantas Airways Limited and American Airlines in respect of their restated joint business agreement and associated agreements, Authorisation Numbers A91502 and A91503, 25 February 2016. Available: <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-airways-limited-and-american-airlines-group-inc-revocation-and-substitution-a91502-a91503>

²² Please see Qantas Group announcement on 10 March 2020. Available: See <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response/> See also: <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response-2/>

²³ Jetstar announced on 10 March 2020 the suspension of Melbourne-Bangkok until end at least 30 June 2020 with the potential for further extension.

²⁴ Jetstar announced on 28 February 2020 the temporary suspension of Gold Coast-Seoul from 8 March until at least 30 June 2020.

Region	Destinations
Americas	Honolulu

Jetstar does not operate any services between Australia and China. Jetstar's only services between Australia and China were between the Gold Coast and Wuhan (operating from October 2015 until September 2016) and between Melbourne and Zhengzhou (operating from December 2017 until December 2019). Jetstar Asia operates flights from Singapore to various destinations in Asia. Jetstar Asia does not operate any services between Australia and China. The Commission re-authorised coordination between the Qantas Group and the various Jetstar branded joint ventures in February 2018.²⁵

A route map of the international services provided by the Jetstar Group prior to the COVID-19 Pandemic is set out in Annexure D. More information about the Qantas Group is available at www.qantas.com.

China Eastern

China Eastern is a full-service carrier and one of China's 'Big 3' airlines. Its main hubs are Shanghai's Pudong International and Hongqiao International airports, with secondary hubs at Kunming Changshui International Airport and Xi'an Xianyang International Airport. With the commencement of operation of Beijing Daxing International Airport in 2019, China Eastern will also develop Beijing Daxing International Airport as one of its important hubs.

China Eastern was established in 1988 following the Chinese Government's decision to create separate commercial airlines out of the Civil Aviation Administration of China (CAAC). China Eastern Air Holding Co Ltd (CEAH), founded in 1996, is a state-owned enterprise incorporated in China and the parent company of China Eastern, with a shareholding of 49.8%. China Eastern was listed on the Hong Kong, New York and Shanghai stock exchanges in 1997, becoming the first listed company in Chinese civil aviation industry.

CEAH's indirectly owned subsidiary Eastern Air Logistics Co Ltd provides freight services.

Shanghai Airlines was China's first diversified investment and commercial operating airline (founded in 1985) and was based in Shanghai Hongqiao Airport. In December 2007, Shanghai Airlines became a formal member of the Star Alliance. In June 2009, Shanghai Airlines and China Eastern merged and by February 2010, Shanghai Airlines officially became a wholly owned subsidiary of China Eastern (although retaining independent brand and operations). Shanghai Airlines withdrew from the Star Alliance and joined the SkyTeam alliance with China Eastern in June 2011. Shanghai Airlines operates 105 aircraft, including 95 B737 series, 7 B787-900 and 3 A330-300 aircraft.

China Eastern is one of the largest carriers in the world by passengers flown. China Eastern's passenger traffic volume (as measured in revenue passenger-kilometres or RPKs) increased by 21% from approximately 183,182 million in 2017 to approximately 221,527 million in 2019.

With the introduction of new aircraft, such as the Airbus A350-900, Boeing 787-9 and Airbus A320neo, as at 30 June 2019, China Eastern operated a fleet of 719 aircraft, which included 704 passenger aircraft and 15 business aircraft held under trust.

China Eastern has an established network throughout China and extending to Japan, Korea, South East Asia, Europe, North America and Oceania. In 2011, China Eastern became a member of the SkyTeam Alliance.

Route maps of China Eastern's domestic and international services from its main hub Shanghai are set out in Annexure E. All of these services have been impacted by the COVID-19 Pandemic. More

²⁵ Commission Determination in relation to Applications for revocation and substitution of authorisations lodged by Qantas Airways Limited and Jetstar Airways Pty Ltd in respect of The Jetstar Pan Asia Strategy, Authorisation Numbers A91600 and A91601, 16 February 2018. Available: <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-airways-limited-jetstar-airways-pty-ltd> In addition to Jetstar and Jetstar Asia, the Qantas Group also has a shareholding in Jetstar Pacific Airlines Joint Stock Aviation Company (Jetstar Pacific), of which the Qantas Group has a 30 per cent shareholding. Jetstar Pacific is incorporated in Vietnam and operates flights internationally; and Jetstar Japan Co Ltd (Jetstar Japan), in which the Qantas Group has a 33 per cent shareholding. Jetstar Japan is incorporated in Japan and operates flights within Japan and internationally. Neither Jetstar Pacific nor Jetstar Japan are parties to the JCA.

information about China Eastern is available on <http://en.ceair.com/> and <http://www.irasia.com/listco/hk/chinaeast/annual/>

THE PROPOSED CONDUCT

Joint Coordination Agreement

The Applicants entered into the Original JCA on 17 November 2014 for an initial term of five years. As was flagged in 2015, the Original JCA has been varied during the last five years, including by adjusting what is included as an 'Initial JC Route' and 'JC Route,' to reflect the new routes operated by the Applicants.²⁶ The most recent variation extended the term of the JCA for a further 18 months and clarified that China Eastern's subsidiary Shanghai Airlines may operate services under the JCA, but did not contain any material variations.²⁷

Pursuant to the Extended JCA²⁸ the Applicants wish to continue to maximise consumer benefits and operate cost effective and efficient networks by coordinating their activities and operations between Australia and mainland China. This includes coordinating in relation to:

- improving schedules, frequencies and connection times;
- enabling the potential expansion of destinations served by the Applicants' operations;
- expanding connecting services at primary gateways leading to more one-stop online points of service;
- pricing, including developing new fare products and promotions;
- improving reciprocal inventory access to facilitate more bookings on both Applicants' services, including group bookings;
- expanding reciprocal airport lounge access, improving facilities within lounges and streamlining check-in facilities for passengers;
- increasing opportunities and benefits for members of both Applicant's frequent flyer programs;
- increasing the international competitiveness of both Applicants; and
- easing the planning of itineraries through the provision of better information to agents.

If the Proposed Conduct is authorised, the Applicants will continue to coordinate activities in respect of sales and marketing (including joint promotions), holiday products and packages, distribution, customer rebates, incentives and discounts, agency arrangements, ground handling and airport services.

The model of commercial coordination under the Extended JCA remains the same going forward. As was the case in 2015, the exact scope of the Proposed Conduct will evolve and may be altered from time to time. **[REDACTED – CONFIDENTIAL]**

As discussed below, the Extended JCA will also continue to allow each carrier to offer a broader range of price points than would be possible under a limited arm's length codeshare arrangement. It will encourage ongoing joint sales and marketing opportunities and the development of better product and services expertise. The Extended JCA will therefore operate to support capacity reinstatement and potential future expansion, giving the Applicants the best chance to restore confidence and sustainable services to customers and businesses in both Australia and China in the short-medium term post COVID-19 Pandemic, while also creating the commercial incentives to work together to deliver other public benefits in the medium-longer term.

As indicated earlier, this application seeks a short term extension of the current alliance for a further 18 months from October 2020 until March 2022, to enable the Applicants to continue to coordinate and rebuild through the COVID-19 Pandemic. The intention will be to then seek a further extension of the Proposed Conduct beyond 2022, subject to ongoing authorisation from relevant authorities.

²⁶ See Confidential Annexure B.

²⁷ See Confidential Annexure B.

²⁸ See clauses 3.2 and 3.3 of the JCA in Confidential Annexure B.

Overview of Australia-China Market

Prior to the COVID-19 Pandemic, the Australia-China passenger air services market had experienced significant growth. As discussed below, overall passenger numbers on services between Australia and China have increased in the five years since the Proposed Conduct commenced, with air services remaining critical to the strong and growing economic ties between the countries. For example:

- China is Australia's largest inbound tourism source market in terms of volume and spend;²⁹
- there were over 1.45 million Chinese tourists who visited Australia in the year to July 2019, which equates to over 120,000 arrivals per month,³⁰ slightly more than the previous year despite a slowdown in the domestic Chinese economy;
- in 2018-2019, Chinese visitors spent \$12.2 billion in Australia;³¹
- in 2019, it was forecast that Chinese visitor numbers in Australia would grow by an average annual rate of 11.9% over the next ten years, to reach 3.9 million in 2026-27 and total visitor spend would reach \$26.2 billion, an average annual growth rate of 10.6%;³² and
- in 2019, more than 203,000 Chinese students studied in Australia making it Australia's largest source of overseas students, and China is a key destination for Australian students under the New Colombo Plan.³³

Prior to the COVID-19 Pandemic, there had been an overall increase in the number of visitor arrivals from China over the last 12 years, although growth rates began to stabilise around 2018-2019, as shown in Figure 1 below.

²⁹ See Tourism Research Australia: <https://www.tra.gov.au/data-and-research/chinese-free-and-independent-travellers-their-potential-for-regional-australia>

³⁰ See Tourism Australia: <http://www.tourism.australia.com/content/dam/assets/document/1/7/7/2/u/2015382.pdf>

³¹ See Tourism Research Australia, Forecasts of International Traveller Activity. Available: <https://www.tra.gov.au/International/international-tourism-forecasts>

³² See Tourism Research Australia: <https://www.tra.gov.au/data-and-research/chinese-free-and-independent-travellers-their-potential-for-regional-australia>

³³ See Department of Foreign Affairs and Trade: <https://dfat.gov.au/geo/china/Pages/china-country-brief.aspx>

Figure 1: Visitor Arrivals from China to Australia: December 2007-December 2019



Source: ABS

Similarly, the trend of increasing numbers of Australian residents travelling on short term trips to China had also been clear until around 2018-2019, as shown in Figure 2 below.

Figure 2: Australian Resident Short Term Returns from China: July 2007-December 2019



Source: ABS

Reflecting these two-way demand trends, there has been a significant increase in capacity on Australia-China routes, with existing airlines expanding their network and a number of new airlines entering since

2015. This was facilitated by the move to an open-skies style arrangement between Australia and China through the signing of a Memorandum of Understanding (MOU) in December 2016, which supplemented the Air Services Agreement (ASA). Under the MOU, capacity restrictions for passenger services were removed between all points in Australia and China for the designated airlines of both countries.³⁴ Prior to this, Australian and Chinese airlines were able to operate up to 33,500 seats per week between Australia's major cities (Sydney, Melbourne (including Avalon), Brisbane and Perth) and Beijing, Shanghai and Guangzhou. Unrestricted capacity was permitted to and from all points in Australia other than Sydney, Melbourne (including Avalon), Brisbane and Perth. The MOU in 2016 therefore removed all capacity restrictions between the major cities in each country.

Between the twelve months ended October 2015 and the twelve months ended December 2019, scheduled capacity on direct routes between Australia and China increased by 98%, or 2,981 seats per day each way, with the number of routes served growing by 29 as demonstrated in Table 3 below. Of the new routes served, 16 have been introduced by new carriers (Hainan Airlines, Xiamen Airlines, Beijing Capital Airlines, Tianjin Airlines and Donghai Airlines). Note that Table 3 does not include the increase in capacity on indirect routes between Australia and China, via third country hubs such as Hong Kong and Singapore, which are a viable substitute for direct services as discussed further below.

Table 3: Increases in Scheduled Seat Capacity on Australia-China Market Offered By Direct Operators: twelve months ended October 2015 vs twelve months ended December 2019

Carrier	Scheduled Seats Per Day Each Way		Increase in Capacity (Seats/%)	Increase in Number of Routes Served
	Year to Oct 2015	Year to Dec 2019		
<i>Carriers Operating in October 2015</i>				
China Southern	1,319	1,981	662 / 50%	4
China Eastern	730	1,427	697 / 96%	4
Air China	530	712	181 / 34%	2
Qantas ³⁵	288	447	159 / 55%	1
Sichuan Airlines	171	205	34 / 20%	1
Jetstar ³⁶	7	89	82 / 1113%	1
Total capacity of carriers	3,046	4,860	1,815 / 60%	13
<i>New Carriers Operating Since October 2015</i>				
Hainan Airlines	Entered Dec 2015	467	467	7
Xiamen Airlines	Entered Nov 2015	372	372	4
Beijing Capital Airlines	Entered Sep 2016	173	173	2
Tianjin Airlines	Entered Oct 2017	105	105	2
Donghai Airlines	Entered May 2018	49	49	1
Total capacity of new carriers	n/a	1,166	1,166	16
Total capacity	3,046	6,026	2,981 / 98%	29

Source: Dijo Mi

Note: this measures capacity of direct operators only. As discussed below, indirect operators such as Cathay Pacific and Singapore Airlines are also considered part of the Australia-China market in practice.

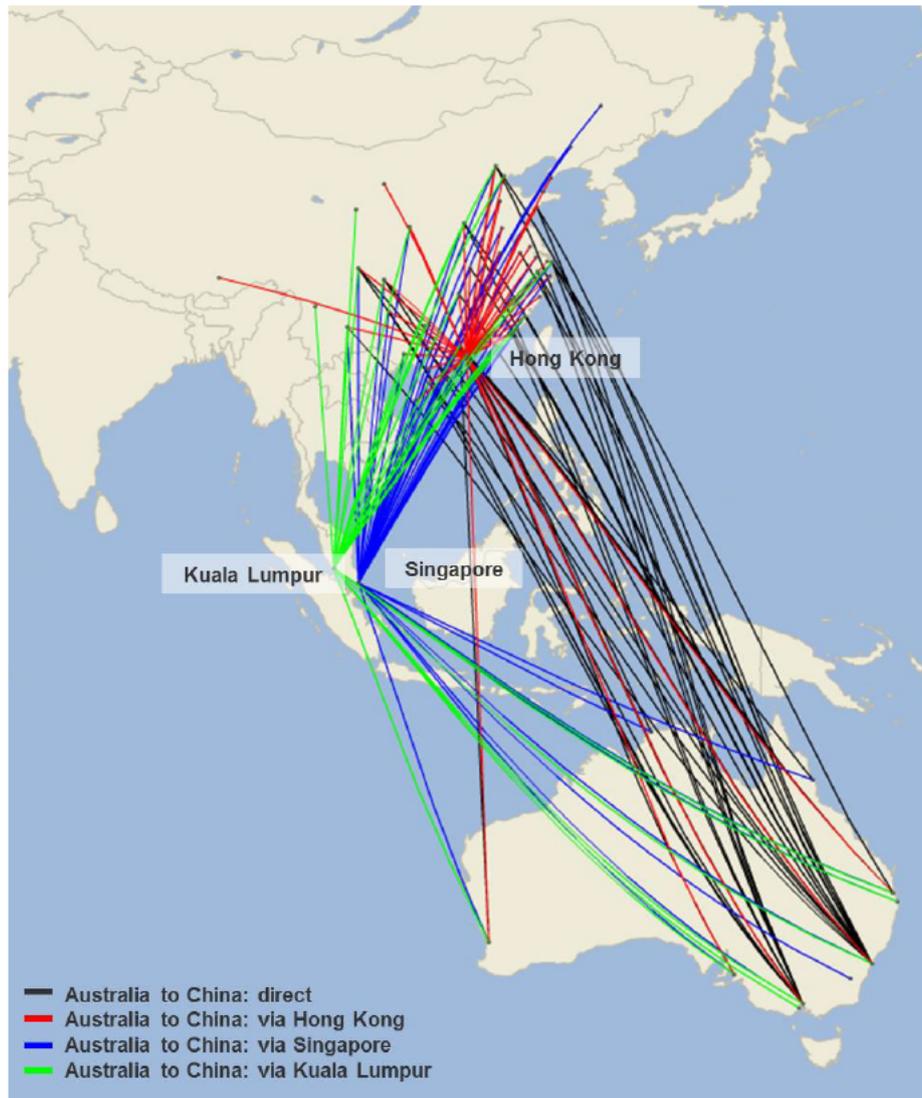
³⁴ See: https://trademinister.gov.au/releases/Pages/2016/sc_mr_161204.aspx

³⁵ As noted above, Qantas ceased operating the Sydney-Beijing service on 9 February 2020 as a result of the COVID-19 Pandemic, having announced in November 2019 that it would exit that route in March 2020.

³⁶ Jetstar operated a 335 seat aircraft twice weekly service for one month in October 2015 and twice weekly per month in the year to December 2019.

As a result of this entry and expansion, passengers now have a far increased ability to access different parts of China from Australia (and vice versa) through numerous different gateways as demonstrated in Figure 3 and Table 4 below.

Figure 3: Route Map Showing Different Direct and Indirect Routings for Australia-China Passengers, December 2019



Source: Diio Mi

Table 4: Return Segments Between Australia and China: October 2015 and December 2019

Australian Port	Direct Services To and From Chinese Port				Increase in Capacity (Seats / %)
	October 2015		December 2019		
	Port	Seats (per day each way)	Port	Seats (per day each way)	
Sydney	Shanghai	681	Shanghai	734	53 / 8%
	Guangzhou	582	Guangzhou	605	23 / 4%
	Beijing	215	Beijing	488	273 / 127%
	Xiamen	-	Xiamen	118	118
	Chengdu	-	Chengdu	110	110

Australian Port	Direct Services To and From Chinese Port				Increase in Capacity (Seats / %)
	Shenzhen	-	Shenzhen	107	107
	Nanjing	106	Nanjing	99	-7 / -7%
	Hangzhou	-	Hangzhou	98	98
	Wuhan	-	Wuhan	98	98
	Fuzhou	-	Fuzhou	95	95
	Qingdao	-	Qingdao	88	88
	Haikou	-	Haikou	83	83
	Kunming	-	Kunming	79	79
	Chongqing	70	Chongqing	73	3 / 3%
	Changsha	-	Changsha	67	67
	Xianyang	-	Xianyang	34	34
	Zhengzhou	-	Zhengzhou	27	27
Sub Total		1,655		3,000	1,345 / 81%
Melbourne	Guangzhou	449	Guangzhou	562	113 / 25%
	Shanghai	448	Shanghai	475	27 / 6%
	Beijing	58	Beijing	211	153 / 261%
	Shenzhen	-	Shenzhen	106	106
	Xiamen	-	Xiamen	92	92
	Zhengzhou	-	Zhengzhou	89	89
	Qingdao	-	Qingdao	85	85
	Haikou	-	Haikou	80	80
	Chongqing	-	Chongqing	77	77
	Hangzhou	-	Hangzhou	67	67
	Xianyang	-	Xianyang	63	63
	Chengdu	101	Chengdu	108	7 / 7%
	Guiyang	-	Guiyang	24	24
Sub Total		1,057		2,040	983 / 93%
Brisbane	Guangzhou	181	Guangzhou	274	93 / 51%
	Shanghai	-	Shanghai	155	155
	Shenzhen	-	Shenzhen	74	74
	Beijing	-		23	23
Sub Total		181		525	345 / 190%
Perth	Guangzhou	105	Guangzhou	144	39 / 37%
Adelaide	Guangzhou	-	Guangzhou	140	140
Darwin	Shenzhen	-	Shenzhen	49	49
Cairns	Guangzhou	4	Guangzhou	47	43
	Shenzhen	1	Shenzhen	67	66
	Shanghai	39	Shanghai	16	-23 / -59%
Sub Total		149		463	314 / 233%

Source: Dijo Mi

Again, this data does not include indirect operators who also service the Australia-China market such as Cathay Pacific and Singapore Airlines.

As the huge expansion of routes and hubs above indicates, Shanghai is only one of at least six major international hubs for transit into mainland China. The opening of Beijing Daxing Airport in September 2019 created additional airport capacity in China and has the potential to grow Beijing's transit traffic, which has been constrained by Beijing Capital's slot limitations. Guangzhou is now the most popular transit point for domestic China connections, supported by new transit possibilities via Xiamen, Shenzhen, Chengdu and Nanjing. Services to these hubs have continued to grow over the last five years and passengers from Australia are increasingly taking up the option to fly to these ports as their gateway of entry to China. As an example, in 2019 almost 520,000 passengers from Australia transited Guangzhou enroute to another point in China, up from approximately 423,000 in 2015. In 2019, over 94,000 passengers from Australia transited Xiamen enroute to other parts of China, an itinerary not

possible in 2015.³⁷ As described below, the breadth of options for customers travelling to mainland China has meant that traffic has been lost from the Sydney-Shanghai route.

The alliance with China Eastern has enabled Qantas to remain a viable competitor in the context of this significant growth, notwithstanding the loss of traffic from the Sydney-Shanghai route as customers choose alternative ways to journey into mainland China. Similarly, as set out further below, the alliance has underpinned China Eastern's growth during this time and made it possible to commence operations across a number of new routes to Australia.

Impact of COVID-19 Pandemic

The long-term growth trend on the Australia-China market changed significantly and dramatically with the COVID-19 Pandemic and its impact on travel and demand throughout 2020. Towards the end of 2019, passenger growth on services between Australia and China had been maturing and stabilising, partly due to a slowing of the Chinese economy. For example, Tourism Research Australia referenced this trend in its 2019 forecasts by noting that 'Chinese visitation will continue to rise but transition to a more sustainable trajectory as the country's economic growth slows and the impacts of trade tensions with the United States (US) continue to play out.'³⁸

Since mid-late January 2020, the COVID-19 Pandemic has had a significant impact on air services between Australia and China. On 1 February 2020, the Australian Government issued the following statement:³⁹

'The National Security Committee of Cabinet met again today to consider new and urgent information regarding the novel coronavirus situation. Based on updated health advice from the Commonwealth's Chief Medical Officer and the Australian Health Protection Principal Committee and the increased risk posed by the spread of novel coronavirus, we have decided to introduce strict new travel restrictions and new travel advice. Effective immediately, foreign nationals (excluding permanent residents) who are in mainland China from today forward, will not be allowed to enter Australia for 14 days from the time they have left or transited through mainland China..... We will also raise the travel advice to Australians for all of mainland China to Level Four – "Do not travel."

In addition, the Australian Government also issued a requirement that all travellers arriving from China on or after 1 February 2020 must be self-isolated for 14 days.⁴⁰ This was extended (and applied to a number of other countries) on multiple occasions since. As noted earlier, on 24 March 2020, the Australian Prime Minister imposed a ban on all Australians travelling overseas.⁴¹

As announced by Qantas on 1 February 2020,⁴² the entry restrictions imposed by the Australian Government as well as jurisdictions such as Singapore⁴³ and the United States⁴⁴ impacted the movement of crew who work across the Qantas International network. The entry restrictions posed significant logistical challenges for rostering crew to operate mainland China services, leading to the need to suspend all Qantas services between Sydney and Shanghai and between Sydney and Beijing. The suspension of Qantas flights to mainland China took effect from 9 February 2020 and flights are not scheduled to recommence until at least late October 2020.⁴⁵ Qantas continues to work closely with

³⁷ DDS Estimate Report for Australia to China bi-directional total traffic, retrieved 4 March 2020

³⁸ See Tourism Australia 2019 Forecasts: <https://www.destinationnsw.com.au/wp-content/uploads/2019/09/tourism-research-australia-tourism-forecast-report-2019.pdf> (Accessed 21 February 2020)

³⁹ Joint media release dated 1 February 2020 from the Prime Minister, Minister for Foreign Affairs, Minister for Health and Minister for Home Affairs available in full at: <https://www.foreignminister.gov.au/minister/marise-payne/media-release/updated-travel-advice-protect-australians-novel-coronavirus>

⁴⁰ See <https://www.smarttraveller.gov.au/news-and-updates/novel-coronavirus-outbreak#home> (accessed 12 February 2020)

⁴¹ See: <https://www.pm.gov.au/media/update-coronavirus-measures-24-March-2020>

⁴² See: <https://www.qantasnewsroom.com.au/media-releases/qantas-update-on-china-services/>

⁴³ See: https://www.ica.gov.sg/enteringanddeparting/entry_requirements (Accessed 10 February 2020)

⁴⁴ See: <https://www.whitehouse.gov/presidential-actions/proclamation-suspension-entry-immigrants-nonimmigrants-persons-pose-risk-transmitting-2019-novel-coronavirus/> (Accessed 10 February 2020)

⁴⁵ On 10 March 2020, the Qantas Group announced widespread network changes impacting international services operated by Qantas, Jetstar, Jetstar Japan and Jetstar Pacific, reducing capacity by almost a quarter for the 6 months following. See <https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response/>. On 17 June 2020, the Qantas Group announced continued suspension of its international flying (with the exception of Tasman routes) until the end of

the Australian Government on this issue. The date for resumption of Qantas and China Eastern flights is being regularly reviewed. There is at least a possibility that Qantas' Sydney-Shanghai cancellations may need to be extended beyond October 2020.

In addition, the Ministry of Foreign Affairs of the People's Republic of China made further announcements in late March 2020 regarding the temporary suspension of entry regarding foreign nationals⁴⁶ and the Civil Aviation Administration of China published a notice regarding the further reduction of international passenger flights which will apply from 29 March 2020.⁴⁷ As the situation has evolved, China Eastern has also announced the cancellation of certain flights between Australia and China as a result of the COVID-19 Outbreak. This included the cancellation of Shanghai-Melbourne, Shanghai-Brisbane, Shanghai-Perth, Sydney-Hangzhou-Beijing and Sydney-Wuhan-Xian flights. According to the recent CAAC policy on international passenger flights, however, China Eastern is now operating Shanghai-Sydney service once a week (MU561/562). In light of the recent Government announcements in both Australia and China, China Eastern is still in the process of reviewing its schedule in respect of the Sydney-Shanghai and Melbourne-Shanghai routes.

In February 2020, the predicted impact on passengers travelling to and from China was significant, with some analysts suggesting that airports in China would see a 30 per cent drop in passengers in 2020 due to the COVID-19 Pandemic, dropping from 1.4 billion passengers in 2019 to a forecast 945 million this year.⁴⁸ One consultancy group indicated that the airline seat capacity in and out of China had dropped by two thirds as at February 2020, which represented more than 1.4 million seats – the most significant ever recorded for a country.⁴⁹ By May 2020, the actual and anticipated impacts had worsened considerably across the globe. Airlines globally have responded to this fast moving crisis and this continues to occur on a daily basis.

Demand for Australia-China travel has been significantly impacted in respect of both leisure and corporate travellers in both directions. In mid February 2020, various large corporate organisations began to ban or discourage employees from flying both domestically and internationally due to the risk of contracting the virus.⁵⁰ For example, Australia's big four banks banned non-essential international business travel, plus mining companies such as BHP, Rio Tinto and Fortescue have set travel restrictions for staff⁵¹. Business events, conferences and major sporting events continue to be cancelled in various countries.

The impact of the COVID-19 Pandemic on the Australian economy, particularly the inbound tourism industry, continues to be documented on a daily basis. For example:

- in February, the Australian Chamber of Tourism Chairman was quoted as stating that 'the Chinese tourism market, which contributes \$711m on average a week to the economy, has effectively come to a 'dead stop' after the coronavirus forced the government to shut down its borders.'⁵²
- Queensland Premier Annastacia Palaszczuk was quoted in February as saying that 'The top 10 operators report a 15 per cent to 20 per cent drop in trade...This affects 3,500 businesses and 42,000 jobs. In far north Queensland, estimates are local businesses are losing around \$5.5m a day. As much as \$350m could be lost by March.'⁵³

October 2020. See: https://www.qantas.com/au/en/travel-info/travel-updates/coronavirus/qantas-international-network-changes.html?int_cam=au%3Acoronavirus%3Aarticle%3Ainternational-flights%3Aen%3Aann

⁴⁶ See further: https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1761867.shtml

⁴⁷ See further: http://www.caac.gov.cn/en/XWZX/202003/t20200326_201748.html

⁴⁸ See Boyd Group cited in 'Coronavirus Continues to Affect Business Travel, Meetings Biz'. Available: https://www.businesstravelnews.com/Global/Coronavirus-Continues-to-Infect-Business-Travel-Meetings-Biz?oly_enc_id=4457B7966423G11 (Accessed 17 February 2020). See also 'Coronavirus supply chain shock rattles global economy' in *The Australian* 17 February 2020.

⁴⁹ Airline consultancy group OAG cited in 'Virus cripples travel industry' in *The Mercury*, 17 February 2020.

⁵⁰ See further: 'Pressure on airlines as business ground workers over coronavirus fears' in *Sydney Morning Herald*, 16 February 2020. Available: <https://www.smh.com.au/business/companies/pressure-on-airlines-as-business-ground-workers-over-coronavirus-fears-20200214-p540xy.html> (Accessed 17 February 2020).

⁵¹ See <https://www.smh.com.au/business/companies/businesses-ban-international-travel-to-curb-coronavirus-impact-20200228-p545ef.html>

⁵² Chairman John Hart quoted in 'Chinese tourism blow as PM slams racism' in *The Australian* 12 February 2020.

⁵³ See 'Chinese tourism blow as PM slams racism' in *The Australian* 12 February 2020.

- the Tourism Council of Western Australia described the impact of the COVID-19 Pandemic, in the month of February, as 'dire' for businesses focused on the international market, with a dramatic spike in cancellations;⁵⁴
- on 11 February 2020, the International Civil Aviation Organisation (ICAO) forecast a decline in global air traffic of 16.4 million passengers, resulting in potential revenue loss of USD4.1 billion, based on the proportion of China seat capacity reductions persisting into February and March 2020. The ICAO also predicted that if the proportion of China seat capacity reduction increased, passenger traffic would decline by 19.6 million, resulting in a potential revenue loss of USD4.9 billion. Australia was among the top five countries most affected by the loss of Chinese tourists, with an estimated combined total economic loss across those countries of USD24 billion;⁵⁵
- on 20 February 2020, IATA estimated that that COVID-19 Pandemic would result in a revenue loss of AUD 42 billion for Asia-Pacific airlines in 2020;⁵⁶
- on 5 March 2020, IATA increased its global passenger revenue impact of the COVID-19 Pandemic to a range of AUD 95 billion to USD 171 billion, dependent on scenario⁵⁷. These estimates did not include the impact to air cargo revenues;
- IATA reported that in March 2020, two thirds of global passenger fleets were grounded – with sharp falls in demand and load factors and a significant deterioration in airline profitability;⁵⁸ and
- IATA has also released its financial outlook for the global air transport industry showing that airlines are expected to lose US\$84.3 billion this year. IATA's CEO said *'Financially, 2020 will go down as the worst year in the history of aviation. On average, every day of this year will add US\$230 million to industry losses...'*⁵⁹

The cancellation of flights and severe downturn in demand had an immediate and detrimental impact on both Qantas and China Eastern.

Since the COVID-19 Outbreak, China Eastern was forced to cut a great number of flights covering almost all the international and domestic routes from late January 2020. To be specific, China Eastern has cancelled 1,110 flights in January 2020 (including 1,012 domestic flights and 98 international flights). The number of cancelled flights increased to 67,136 in February 2020 (including 56,663 domestic flights and 10,473 international flights). As a result, China Eastern suffered a reduction in capacity of approximately 86.5%. Accordingly, the total number of China Eastern's passengers in the single month of February 2020 only achieved levels of around 12% of the same period last year. The impact on China Eastern is set out in Figure 4 below.

⁵⁴ See ABC News Online 'Coronavirus fallout hits WA tourism, prompting \$10 million emergency relief as Queen Mary II set to visit' 10 February 2020. Available: <https://www.abc.net.au/news/2020-02-10/coronavirus-fallout-prompts-support-package-for-wa-tourism/11950500>

⁵⁵ 'ICAO predicts 16.4m passenger decline, USD4.1bn revenue loss in Q12020 from coronavirus', in CAPA Centre for Aviation News, 12 February 2020.

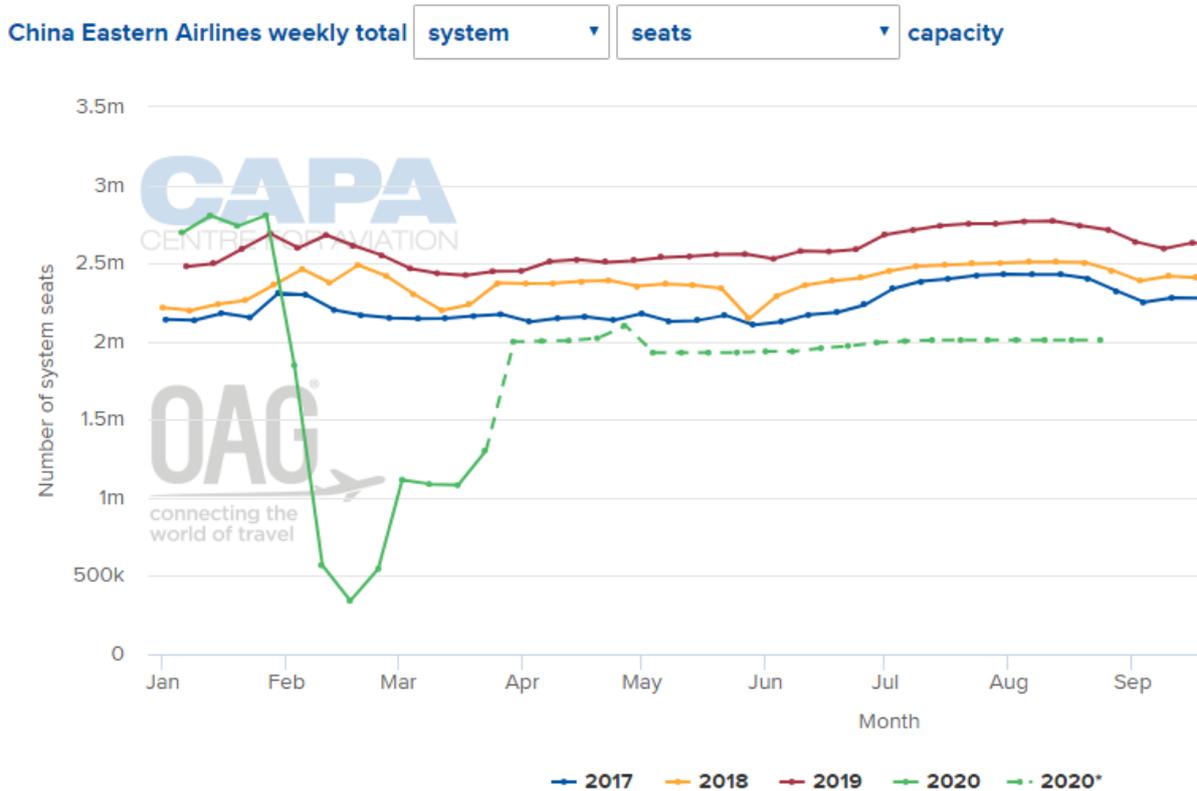
⁵⁶ See <https://www.iata.org/en/pressroom/pr/2020-02-20-01/>. Exchange rate converted at 1 AUD = 0.66 USD

⁵⁷ See <https://www.iata.org/en/pressroom/pr/2020-03-05-01/>. Exchange rate converted at 1 AUD = 0.66 USD

⁵⁸ See further: <https://www.iata.org/en/iata-repository/publications/economic-reports/airlines-financial-monitor---april-2020/>

⁵⁹ See <https://www.iata.org/en/pressroom/pr/2020-06-09-01/>

Figure 4: China Eastern Weekly Total Seats By Year



Source: CAPA - Centre for Aviation and OAG

* These values are at least partly predictive up to 6 months from 16-Mar-2020 and may be subject to change

Details on terms used within this graph can be found in the [glossary](#)

Rationale for the Proposed Conduct

In this context, it is more important than ever that Qantas and China Eastern can work together to reinstate and sustainably retain as much capacity as commercially viable in circumstances where demand has declined sharply and Australia-China services need to be rebuilt.

The Extended JCA is necessary to ensure that Qantas can continue to remain a viable competitor in the Australia-China market. Although Qantas' share of passengers travelling on direct Australia-China services has fallen with the entry of new competitors⁶⁰ and it has not been in a position to add any capacity to China, the Original JCA has enabled Qantas to maintain a daily service on the Sydney-Shanghai route and both carriers to place more of its passengers on services operated by the other, as demonstrated in Figures 5 and 6 below. **[REDACTED – CONFIDENTIAL]**

The Original JCA has helped Qantas participate in the overall Australia-China market growth since 2015. Despite its declining share of overall passengers, Qantas' passenger numbers between Australia and China have nevertheless increased since around 2017, as shown in Table 6 below. In calendar year 2019, almost 267,000 passengers travelled on Qantas between Australia and China, compared to only around 167,000 in calendar year 2015.

⁶⁰ In the four years to 2014, the Qantas Group (including Jetstar and Jetstar Asia) had a market share of around 15% of all passengers travelling between Australia and China (based on ABS data). In December 2019, this share was around 10% of all passengers travelling between Australia and China. This compares to China Southern's share of passengers being around 26%, China Eastern around 19%, Air China around 10% and Cathay Pacific and Xiamen Airlines around 6% and Hainan Airlines around 5%. See further discussion below.

Table 6: Increase in Passenger Growth on Direct Australia-China Services

Year	All Carriers	Qantas	China Eastern
2015	1,929,742	166,675	457,886
2016	2,484,363	160,746	569,235
2017	3,179,860	290,543	722,637
2018	3,606,974	308,416	754,810
2019	3,588,541	266,629	876,396

Source: BITRE

Note: Proposed Conduct did not commence until November 2015

As discussed further below, Qantas needs the continued support of China Eastern to assist in ensuring its single remaining operation between Australia and China – its Sydney-Shanghai service – can be successfully reinstated after the COVID-19 Pandemic and be sustainable in the longer term. Without this support, the sustainability of the service is jeopardised, as described further below. In addition, the alliance provides the only viable support for any potential expansion of Qantas capacity over the longer term.

The Original JCA has lowered the risk of capacity expansion by China Eastern, as HoustonKemp anticipated in its analysis of the incentives and provisions of the JCA in 2015,⁶¹ allowing it to increase capacity by more than any other Chinese-based carrier both in terms of the number and proportion of seats flown. Indeed, as shown in Table 3 above, China Eastern accounts for 25% of the growth in direct Australia-China capacity since October 2015.

The Extended JCA will also help both parties cater to the demand profile for services between Australia and China. Demand from China for travel to Australia is predicted to remain predominantly leisure in nature.⁶² [REDACTED - CONFIDENTIAL]

By being able to expand its product offering for leisure customers by selling seats on China Eastern's services, Qantas can seek to improve its profitability without the need for significant additional capital outlay. As discussed below in the context of Qantas' exit from the Sydney-Beijing route, it is imperative for Qantas to be able to sell various product types to different segments of the passenger base to make its Sydney-Shanghai service a long term success.

Likewise, the Extended JCA will enable China Eastern to sell additional seats at low prices on Qantas operated flights to an extent which would not otherwise be possible, while also being able to sell to business and premium leisure passengers seeking Qantas' premium cabin experience. Having an Australian partner enables China Eastern to access Qantas' sales and distribution capability within Australia, as well as additional product expertise, in order to attract and retain increased traffic and provide better services to its passengers. China Eastern can build on Qantas' domestic business and frequent flyer proposition to access high-yielding Australian domestic corporate and government travellers. Continuing the alliance will give China Eastern's worldwide sales force better access to sell to and from Australia, particularly by being able to offer more seamless travel to secondary and regional cities served by Qantas. Such joint activities will support the sustainability of China Eastern's existing capacity and, if demand sufficiently recovers after the COVID-19 Pandemic, make it more likely that China Eastern will add additional capacity to Australia over the longer term.

Overall, the alliance allows both carriers to utilise the other carrier's domestic network and selling presence to offset weakness in those areas, in order to create a better proposition for all customers.

⁶¹ HoustonKemp 'Effects of the Qantas/China Eastern Alliance – A Report for Johnson, Winter and Slattery, 24 April 2015, pg vi.

⁶² Tourism Research Australia, Forecasts of International Traveller Activity. Available:

<https://www.tra.gov.au/International/international-tourism-forecasts>

PUBLIC BENEFITS

Overview

Authorisation of the Proposed Conduct will provide the Applicants with the ability to continue to offer sustainable capacity on routes between Australia and China. Relative to the counterfactual position in which the Applicants would revert to a limited codeshare relationship, the future with authorisation is one in which customers of both carriers continue to enjoy a range of existing benefits as the market recovers after the COVID-19 Pandemic.

Going forward, the public benefits of continuing the alliance are significant. As discussed further below, they include:

- the faster and more sustainable reinstatement of capacity that has been suspended as a result of the COVID-19 Pandemic. Without authorisation, Qantas' Sydney-Shanghai service is jeopardised and China Eastern may not reinstate as many services to Australia;
- potential new capacity growth in the medium-long term, if demand sufficiently recovers post COVID-19 Pandemic. Without authorisation, any expansion will not occur or will not occur as quickly;
- the continued offer of an expanded range of codeshare destinations, shorter journey times, improved connectivity and increased schedule choice allowing customers of both carriers to more easily book and travel to a wider range of destinations to and within China and Australia. Without authorisation, the Applicants will retract the codeshare to a far more limited arms-length arrangement, reducing choice, convenience and flexibility for both carriers' customers;
- the continued joint promotion of tourism in Australia and enhanced international trade opportunities for Australian businesses, particularly in the wake of the COVID-19 Pandemic. Without authorisation, this will not occur or would occur only more slowly and less effectively;
- the continued offer of benefits for members of both Applicants' frequent flyer programs. Without authorisation, the Applicants would review these benefits and be unlikely to continue tiered frequent flyer benefits such as lounge access and priority services;
- improved products and services for customers of both carriers. Without authorisation, the Applicants will not have the incentive to facilitate smooth connections, integrate customer service or develop new joint products; and
- the continued offer of greater availability and variety of price points for customer of both carriers, through reciprocal inventory access. Without authorisation, there will be no incentive to enable widespread access to inventory (particularly in relation to long haul routes), meaning that fewer price points will be able to be offered.

Capacity Reinstatement and Sustainability

Authorisation of the Proposed Conduct is necessary to ensure that the capacity growth already delivered by the alliance can be reinstated as quickly and to the maximum extent possible as demand recovers post COVID-19 Pandemic. The Proposed Conduct will allow the Applicants to maximise cross selling across the codeshare and allow more effective joint marketing through dual distribution channels, which will be necessary to stimulate demand recovery.

As set out earlier, a key public benefit delivered by the alliance has been the introduction of substantial additional capacity on routes between Australia and China since 2015. This growth by the alliance comprised:

- the commencement of new routes, namely:
 - new Sydney-Hangzhou-Beijing and Sydney-Kunming services operated by China Eastern, which commenced in November 2016;
 - new Brisbane-Shanghai services operated by China Eastern, which commenced in December 2016;

- new Sydney-Beijing services operated by Qantas⁶³ and Sydney-Wuhan-Xian services operated by China Eastern, both of which commenced in January 2017; and
- new Perth-Shanghai services operated by China Eastern which commenced in January 2020;⁶⁴
- increased frequencies on other routes, namely:
 - the Sydney-Shanghai route operated by both Qantas and China Eastern, which moved from 17 weekly services in November 2015 to 21 weekly services in November 2019; and
 - the Melbourne-Shanghai route operated by China Eastern, which moved from 10 weekly services in November 2015 to 14 weekly services in November 2019.⁶⁵

In 2015, the alliance offered on average 4.2 flights per day between three cities in Australia to two cities in China. By the end of 2019, this had grown to 7.3 flights per day between four cities in Australia and six cities in China. Table 7 below shows the growth of alliance flights by city pair.

Table 7: Growth of Qantas and China Eastern's Australia-China Flights, 2015-2019

Carrier/City Pair	2015	2016	2017	2018	2019	4 year CAGR (to December 2019)
China Eastern	2,326	2,802	3,832	3,986	4,106	15.3%
Sydney-Shanghai	962	1,108	1,080	1,118	1,194	5.5%
Melbourne-Shanghai	964	1,110	1,084	1,130	1,186	5.3%
Brisbane-Shanghai	-	60	444	492	488	N/A
Sydney-Nanjing	314	314	312	312	314	0.0%
Sydney-Hangzhou	-	40	310	312	312	N/A
Sydney-Wuhan	-	-	290	314	312	N/A
Sydney-Kunming	-	34	312	268	248	N/A
Cairns-Shanghai	86	136	-	40	52	-11.8%
Qantas	714	718	1,380	1,416	1,250	15.0%
Sydney-Shanghai	714	718	716	728	730	0.6%
Sydney-Beijing	-	-	664	688	520	N/A
Total Alliance	3,040	3,520	5,212	5,402	5,356	15.2%

Source: Diio Mi (as at 27 February 2020)

⁶³ As noted above, Qantas ceased operating the Sydney-Beijing service on 9 February 2020 as a result of the COVID-19 Pandemic, having originally announced in November 2019 an intention to exit the route in March 2020 due to poor financial performance.

⁶⁴ These services were intended to operate on a seasonal basis until mid February 2020 but were suspended on 7 February 2020 due to the COVID-19 Pandemic.

⁶⁵ This increased to 18 weekly from 16 January 2020 until the flight cancellations due to the COVID-19 Pandemic in early February (the increases were originally intended to be operated until mid February 2020). Services on the Brisbane-Shanghai route operated by China Eastern also moved from daily services to 10 weekly services for the period from 16 January 2020 until 1 February 2020.

Note the Proposed Conduct did not commence until November in 2015

The growth in total seats flown has also increased by a similar proportion as demonstrated in Table 8 below. Seat increases on some routes have resulted from aircraft upgauges, namely:

- on the Sydney-Shanghai route, China Eastern moved from the 234 seat Airbus A330-200 aircraft to the 316 seat Boeing 777-300ER aircraft (periodically from January 2016) and to the 288 seat Airbus A350-900 aircraft (ongoing from 31 March 2019); and
- on the Melbourne-Shanghai route, China Eastern moved from the 234 seat Airbus A330-200 aircraft to the 316 seat Boeing 777-300ER aircraft (periodically from November 2016) and to the 285 seat Boeing 787-9 aircraft (ongoing from February 2019).

Table 8: Growth of Qantas and China Eastern's Australia-China Seats: 2015-2019

Carrier/City Pair	2015	2016	2017	2018	2019	4 year CAGR (to December 2019)
China Eastern	550,104	684,476	925,650	963,054	1,041,978	17.3%
Sydney-Shanghai	225,476	272,784	266,752	282,028	323,800	9.5%
Melbourne-Shanghai	225,592	267,660	265,436	279,980	319,986	9.1%
Brisbane-Shanghai	-	14,700	102,864	113,984	112,932	N/A
Sydney-Nanjing	76,116	75,060	76,020	71,760	72,220	-1.3%
Sydney-Hangzhou	-	10,524	75,640	71,760	71,760	N/A
Sydney-Wuhan	-	-	66,812	72,220	71,760	N/A
Sydney-Kunming	-	8,460	72,126	62,086	57,536	N/A
Cairns-Shanghai	22,920	35,288	-	9,236	11,984	-15.0%
Qantas	211,440	205,434	374,024	380,936	326,070	11.4%
Sydney-Shanghai	211,440	205,434	211,908	206,044	191,866	-2.4%
Sydney-Beijing	-	-	162,116	174,892	134,204	N/A
Total Alliance	761,544	889,910	1,299,674	1,343,990	1,368,048	15.8%

Source: Diio Mi (as at 27 Feb 2020)

Note the Proposed Conduct did not commence until November in 2015. Note that this Table reflects services prior to the cancellations as a result of the COVID-19 Pandemic.

Since 2015, although Qantas has decreased its seat capacity on the Sydney-Shanghai route due to aircraft changes,⁶⁶ when China Eastern's services are taken into account, the alliance has increased its combined total capacity on the Sydney-Shanghai route by a CAGR of 4.2% (when measured to December 2019, prior to the COVID-19 Pandemic).

As mentioned earlier, the Original JCA has not only incentivised China Eastern's growth, but has also enabled Qantas to retain a competitive presence on the route and grow its share of passenger traffic despite not having been in a position to add its own capacity. The Applicants have maintained capacity on the Sydney-Shanghai route despite the fact that the introduction of new Australia-China services over the last five years has reduced demand for the Sydney-Shanghai service. Passengers that would have previously utilised this service to reach destinations in Australia (other than Sydney) and/or destinations in China (other than Shanghai) are now able to fly directly between those destinations on new and expanded services to/from those ports.

As described earlier, the development of new hubs for travel to and from China has inhibited Qantas' growth in connecting volumes that would have been expected via Shanghai. **[REDACTED – CONFIDENTIAL]**

Going forward, particularly as it recovers from the impact of the COVID-19 Pandemic, Qantas needs the continued support of China Eastern to assist in ensuring its single remaining operation between Australia and China – its Sydney-Shanghai service – can be successfully reinstated and remain sustainable. Without this support, Qantas' service is jeopardised and its medium-longer term participation in the China market would be marginal, as set out further below.

[REDACTED –CONFIDENTIAL] This kind of financial contribution and sales/marketing support will be even more important moving forward given the uncertainties in the Australia-China market post COVID-19 Pandemic.

[REDACTED – CONFIDENTIAL]

Similarly, China Eastern has benefited from the contribution of Qantas in supporting its services since the alliance started in 2015. Having an Australian partner enables China Eastern to provide enhanced sales and distribution capability within Australia, as well as additional product and service expertise, in order to attract and retain increased traffic and to provide better services and experiences to its passengers. Meanwhile, the alliance will enable China Eastern to build on Qantas' domestic business and frequent members to access to high yield customers. It will give China Eastern's worldwide sales force better access to sell to and from Australia, particularly by being able to offer more seamless travel to secondary and regional cities served by Qantas. Like for Qantas, having the alliance authorised going forward will also give China Eastern the certainty and support that will best ensure its services are reinstated successfully after the COVID-19 Pandemic. Without the alliance, there is a higher risk that China Eastern will not be able to reinstate as much capacity to Australia. Specifically, China Eastern is likely to reduce frequencies on Sydney-Shanghai services if the Proposed Conduct is not authorised.

By providing the commercial incentive to support each other's flights, the Proposed Conduct will continue to facilitate improved sales and distribution capability for both carriers in their non-home markets. This improves the reach to agents and customers and, accordingly, the ability for each carrier to sell and support the reinstated capacity. Since 2015, both carriers have adjusted their corporate and agency dealing arrangements so that corporates and agents can access and benefit from discounted airfares for travel flown on the other carrier. This has given important access to consumers and businesses for each carrier in the respective home market of the other, which in turn helps to improve loads and ensure capacity is more sustainable. Examples of other promotions and joint marketing by the Applicants, designed to help support these services, are detailed further below.

Potential Capacity Expansion

Authorisation will open the potential for the Applicants to add further capacity including new routes, if demand sufficiently recovers after the COVID-19 Pandemic.

⁶⁶ The capacity decrease occurred through a change in the use of a smaller A330-200 (251 seats) model aircraft on some services rather than the larger A330-300 (297 seats) on all services.

Since 2015, China Eastern has significantly increased its capacity between China and Australia. Although China Eastern has no plans in the short-medium term to introduce new capacity between China and Australia due to the COVID-19 Pandemic, it is possible for China Eastern to commence new operations between China and Australia over the longer term. This would require Qantas' ongoing commercial support, particularly in relation to sales and distribution capability in Australia. Although plans can only be finalised post COVID-19 Pandemic, such potential long term capacity expansion between China and Australia is made more likely by continuing the alliance. Without authorisation, such expansion is highly unlikely to occur or will not occur as quickly.

At the same time as making Qantas' current Sydney-Shanghai service more sustainable, as outlined above, the alliance creates a platform to facilitate future potential longer term expansion of Qantas capacity to China, that would otherwise be difficult. **[REDACTED - CONFIDENTIAL]**

Expanded Codeshare Destinations, Improved Connectivity, Shorter Journey Times

Authorisation of the Proposed Conduct will enable the Applicants to continue to offer an expanded range of codeshare destinations, shorter journey times, improved connectivity and increased schedule choice allowing customers of both carriers to more easily book and travel to a wider range of destinations to and within China and Australia.

Qantas passengers have benefitted from the expansion of capacity by China Eastern since 2015, with the codeshare extending to cover all year round routes between Australia and China. Qantas passengers now have the ability to travel beyond Shanghai to 23 additional destinations in mainland China, compared to only 11 destinations pre-alliance; and Qantas now places its code on 620 flights per week operated by China Eastern in mainland China, compared to 236 flights in March 2014. Similarly, China Eastern passengers can travel on China Eastern's code to a greater range of destinations across the Qantas domestic network, improving the reach of the inbound tourism market to regional Australia. For example, prior to the alliance, China Eastern placed its code on 733 Qantas flights per week to 12 destinations on the Qantas network, of which eight were in Australia.⁶⁷ In December 2019, China Eastern had its code on 1,133 Qantas flights per week to 26 destinations within Australia.⁶⁸

Without authorisation, this codeshare will retract to a limited arms-length arrangement, reducing choice and flexibility for both airlines' customers as Table 9 below demonstrates.

Table 9: Number of Codeshare Destinations With And Without The Alliance

Codeshare Destinations	Before Alliance	With Alliance	Likely Without Alliance
Mainland China	12	24	2-3
Domestic Australia	8	26	2-3
Total	20	50	4-6

Note: September 2015 vs December 2019 codeshare destination count. Final number of codeshare routes to apply without authorisation would be subject to further commercial negotiation between the Applicants at the time.

Co-ordination under the Original JCA has also enabled a reduction in overall journey times and facilitated some same-day connections that were otherwise two-day trips pre-alliance.⁶⁹ Since March

⁶⁷ Based on September 2015 schedule.

⁶⁸ Diio Mi extract 4 December 2019.

⁶⁹ In China, Qantas and China Eastern commenced co-location of terminals in Shanghai in 2015. This resulted in various benefits, including reduced travel times, to passengers transiting through Shanghai. As a result of a change in operational requirements, from 16 October 2019, Qantas and China Eastern no longer co-located in Shanghai, with Qantas remaining in Terminal 1 and China Eastern moving to 'Satellite 1' which is linked to Terminal 1. However, the minimum connecting time (MCT) for passengers transiting through Shanghai to onward flights will not be affected by passengers now needing to transfer between the Qantas and

2019, the minimum connecting time (MCT) between inbound international flights (on China Eastern operated services to Australia) and connecting domestic flights (on Qantas operated services within Australia) has been reduced from 150 minutes to 130 minutes. In the reverse direction (from Qantas operated domestic Australian flights to China Eastern operated international flights), the MCT has been reduced from 150 minutes to 110 minutes. These reductions in MCTs increase the number of connectivity options for customers travelling from China to parts of Australia via the key eastern coast gateways of Sydney, Melbourne or Brisbane. As set out below, this has assisted – and will continue to assist – the growth of inbound tourism to regional Australia.

Examples of improved connectivity are set out in Tables 10 and 11 below.

Table 10: Increased Connection Options As A Result of The Proposed Conduct (Brisbane/Melbourne/Sydney-Destinations in Mainland China via Shanghai)

Connecting Itinerary from Brisbane/Melbourne/Sydney to mainland China destinations via Shanghai	Number of Connecting Flights per Week as at March 2016	Number of Connecting Flights per Week as at December 2019
Shanghai - Dalian	51	79
Shanghai - Chengdu	34	48
Shanghai - Beijing	18	46
Shanghai - Chongqing	31	43
Shanghai - Qingdao	25	42
Shanghai - Hefei	29	41
Shanghai - Fuzhou	35	36
Shanghai - Shenzhen	33	35
Shanghai - Wuhan	48	35
Shanghai - Nanchang	27	32
Shanghai - Kunming	23	30
Shanghai - Xian	41	29
Shanghai - Ningbo	23	27
Shanghai - Handan	14	27
Shanghai - Yuncheng	1	25
Shanghai - Harbin	27	25
Shanghai - Nanjing	23	25
Shanghai - Jinan	23	25
Shanghai - Other	510	478
Total	767	965 +3 New city pairs

Note: Based on the Applicants' schedules as filed for March 2016 compared to December 2019. Flights will be considered to have a valid connection for this purpose if they are operated by China Eastern and depart within 2 to 4 hours of the arrival Qantas/China Eastern flight from Brisbane, Melbourne or Sydney. Destinations ordered by largest number of connecting flights. China Eastern's terminals in Shanghai provide transit trams to Satellite 1 for customers immediately after immigration checks. This means that the various connections facilitated by the alliance will continue to be offered going forward, notwithstanding the co-location of Qantas and China Eastern terminals ending.

Table 11: Increased Connection Options As A Result of The Proposed Conduct (China to Destinations in Australia via Sydney, Melbourne or Brisbane)

Connecting Itinerary from Shanghai via Sydney/Melbourne/Brisbane	Number of Connecting Flights per Week as at March 2016	Number of Connecting Flights per Week as at December 2019
Shanghai - Sydney - Australia	149	304
<i>PVG-SYD-Perth</i>	12	23
<i>PVG-SYD-Adelaide</i>	13	24
<i>PVG-SYD-Cairns</i>	5	7
<i>PVG-SYD-Hobart</i>	2	10
<i>PVG-SYD-Gold Coast</i>	8	13
<i>Other</i>	108	226
Shanghai - Melbourne - Australia	112	259
<i>PVG-MEL-Perth</i>	13	31
<i>PVG-MEL-Adelaide</i>	25	34
<i>PVG-MEL-Cairns</i>	2	4
<i>PVG-MEL-Hobart</i>	15	18
<i>PVG-MEL-Gold Coast</i>	2	4
<i>Other</i>	54	169
Nanchang - Sydney - Australia	21	21
Shanghai - Brisbane - Australia		32
Hangzhou - Sydney - Australia		32
Kunming - Sydney - Australia		95
Wuhan - Sydney - Australia		46
Total	282	790

Note: Based on the Applicants' schedules as filed for March 2016 compared to December 2019. Flights will be considered to have a valid connection for this purpose if they are operated by Qantas Airways and depart within 2 to 4 hours of the arrival a China Eastern flight into Sydney Brisbane or Melbourne.

Importantly, there has been successful take-up by passengers in respect of the opportunities the alliance has provided for improved inbound travel to Australia. China Eastern has actively promoted secondary cities within Australia, particularly in domestic China, where Qantas has limited reach today and has worked with Qantas on developing corporate business opportunities for Australian secondary cities with connections to China. **[REDACTED - CONFIDENTIAL]**

Although the number of passengers transiting from Australia via Shanghai to other parts of mainland China has not increased as the Applicants had initially expected (due to the significant expansion of other operators flying directly to other hubs across China lessening the attractiveness of transit via Shanghai), the Applicants continue to work on improving the transit experience for those who do opt to travel via Shanghai to other parts of China.

Furthermore, the inclusion of China Eastern's related body corporate Shanghai Airlines as an operating carrier within the alliance⁷⁰ will provide more connection possibilities in Shanghai for Qantas customers.

⁷⁰ See Variation Agreement in Confidential Annexure B.

For example, given China Eastern has implemented the migration of flights from “MU” code to Shanghai Airline’s “FM” code, particularly for a great number of domestic flights from Shanghai Pudong to the north-east region of Mainland China, the inclusion of Shanghai Airlines would result in 20 more connections becoming available for Qantas passengers travelling via Shanghai to other parts of mainland China. Moreover, the inclusion of Shanghai Airlines as an operating carrier will also mean that Qantas frequent flyer members should be able to earn and redeem points on an extended range of services.

Continuation of the alliance will enable the Applicants to continue to focus on improving the experience for all point to point travellers between Sydney and Shanghai, as set out further below. For example, a benefit of the alliance being on foot during the initial recovery phase post COVID-19 Pandemic is that the Applicants have been able, and will continue to, discuss and coordinate plans for the restoration of services when entry restrictions were lifted. [REDACTED - CONFIDENTIAL] Discussions on the most effective way to reinstate services will continue.

Tourism Recovery and Trade Benefits

The increased capacity, codeshare expansion and improved connectivity delivered by the alliance since 2015 has contributed to tourism growth throughout Australia. Qantas and China Eastern have engaged in joint marketing campaigns to promote Australia as a destination for Chinese tourists, including through holding major promotional events and monthly joint calls for travel agents in China to promote the destinations to which passengers can now seamlessly fly and the fact that the alliance can offer customers more choice and better experiences to meet their varying demands.

For example, one initiative was the ‘*Best of China*’ trade engagement, through which Qantas and China Eastern together presented to over 150 travel agents in Australia in October 2018 and again to over 100 travel agents in Sydney in 2019. The Applicants also held a joint breakfast series with agents in Brisbane in September 2019 and in Melbourne in November 2019, showcasing the partnership and customer options. The carriers conducted several learning and development days to educate travel agents about the benefits of the Qantas and China Eastern relationship, covering topics such as schedule, network, customer experience and frequent flyer benefits. Attendees of these sessions covered a broad range of customer segments, including large chains such as Flight Centre as well as ethnic Chinese agencies. Similarly, in China, China Eastern hosted a ‘Best of Australia’ event which represented a significant resource investment and involved 71 representatives from 68 travel agencies in China being provided with information about the tourism opportunities in Australia (including through a presentation by the Australian Tourism Commission).

As set out earlier, over 1.45 million Chinese tourists visited Australia in the year to July 2019⁷¹, with the annual number of inbound Chinese tourists expected to grow to around 2.5 million by 2028-2029.⁷² In 2018-2019, Chinese visitors spent \$12.2 billion in Australia.⁷³ Prior to the COVID-19 Pandemic, China was considered Australia’s largest and most valuable inbound market for visitor arrivals, according to Tourism Research Australia.⁷⁴ Similarly, prior to the COVID-19 Pandemic, China was Australia’s largest two-way trading partner in goods and services, valued at \$194.6 billion and accounting for 24.4% of total trade in 2017-18.⁷⁵

Continuing the alliance is critical to restoring inbound tourism flows and export opportunities for Australian businesses after the COVID-19 Pandemic. As set out above, authorisation maximises the ability of the Applicants to reinstate sustainable capacity on services between Australia and China. Without authorisation, the ability to reinstate a daily schedule will be weakened and delayed. Among other things, this will help to deliver supply chain certainty to exporters. Without authorisation, this will not occur, or would only occur to a limited extent.

⁷¹ See Tourism Australia: <http://www.tourism.australia.com/content/dam/assets/document/1/7/7/2/u/2015382.pdf>

⁷² Tourism Research Australia, Forecasts of International Traveller Activity. Available: <https://www.tra.gov.au/International/international-tourism-forecasts>

⁷³ Tourism Research Australia, Forecasts of International Traveller Activity. Available: <https://www.tra.gov.au/International/international-tourism-forecasts>

⁷⁴ International Tourism Forecasts, Tourism Research Australia, page 7, (Accessed 13 November 2019), available at: https://www.tra.gov.au/ArticleDocuments/185/Tourism_Forecasts_2019.pdf.aspx

⁷⁵ See Department of Foreign Affairs and Trade: <https://dfat.gov.au/about-us/publications/Documents/cot-2017-18.pdf>

Furthermore, when market conditions improve, the Applicants will undertake promotions to attract Chinese tourists to Australia and Australian tourists to China in the wake of the COVID-19 Pandemic. The Applicants intend to strengthen the use of co-branded marketing material and continue the calendar of awareness programs to improve knowledge of the alliance among travel agents in both China and Australia (including through a series of telephone calls and onsite visits to key travel agents and corporate customers).

Continuation of Frequent Flyer Benefits

As a result of the alliance, members of both Applicants' frequent flyer programs now have increased opportunities to earn and redeem points on the respective carrier's networks. Prior to the alliance, there were limited earn opportunities and very limited redemption activities. Authorisation of the Proposed Conduct will provide the commercial incentive for the Applicants to continue this popular proposition.

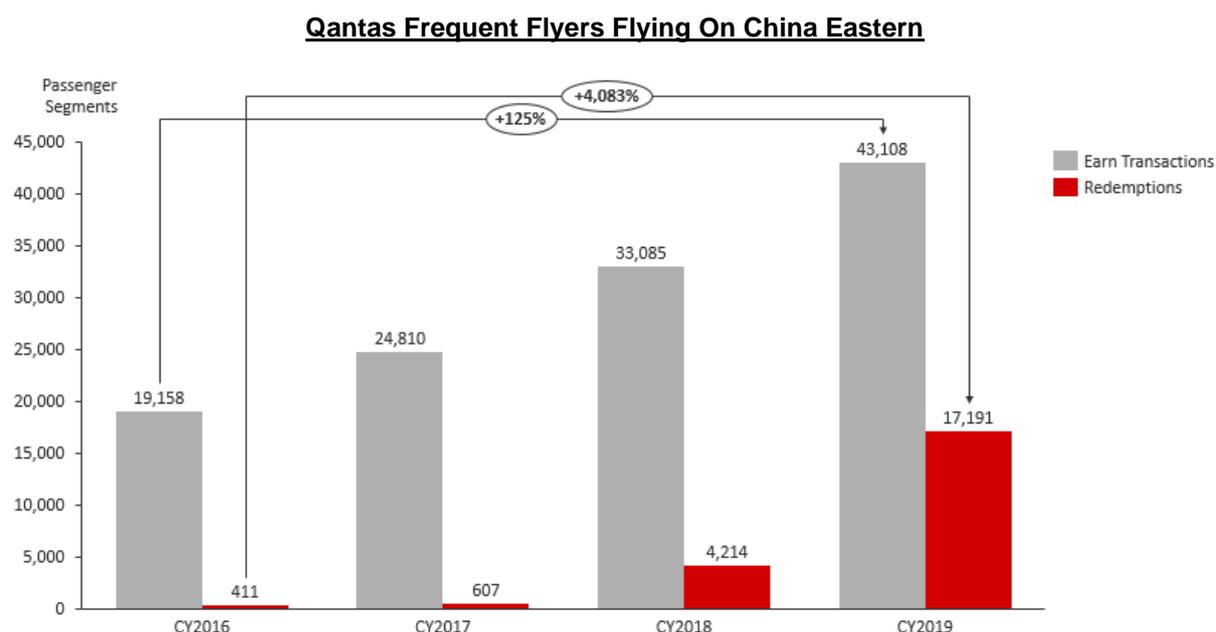
Today, Qantas Frequent Flyer members can:

- earn Qantas Points and Status Credits on Qantas code (on Qantas or China Eastern operated services);
- earn Qantas Points on China Eastern code (on Qantas or China Eastern operated services);
- access China Eastern's upgraded lounges in Shanghai and other key ports in China; and
- receive priority check-in and priority boarding and lounge access within China when travelling on either Qantas or China Eastern code on China Eastern operated services (Gold and higher tier levels).

All the above benefits apply to flights within mainland China as well as all flights between Australia and China. In addition, Gold and Platinum Frequent Flyers can access Qantas lounges in Australia (with one guest) when flying on China Eastern operated services, including when they are flying on domestic flights taken before the China Eastern international leg of the journey.

The ability to earn and redeem Qantas Points (or Status Credits where applicable) on China Eastern operated services has seen an increase in earn and redemption activity by Qantas Frequent Flyers since the alliance commenced. As set out in Figure 7 below, there has been a huge increase in earn and redemption activity since the option became available through the alliance.

Figure 7: Increased Utilisation of Earn and Redemption Opportunities:



Source: Internal Qantas Data

China Eastern was added to the online booking engine for Qantas Frequent Flyers in June 2018 and improved ease of booking led to significant growth in redemptions. [REDACTED – CONFIDENTIAL]

Qantas and China Eastern have worked to improve the joint proposition for China Eastern's frequent flyers as well. From March 2019, China Eastern's top tier frequent flyer members (Eastern Miles Platinum Members) have been invited to access Qantas' First Class lounge in Sydney when they are travelling on China Eastern operated flights. This is a particular privilege that would not be extended in the absence of the Proposed Conduct. Qantas also offers other privileges, such as priority check-in and boarding, to high tier China Eastern passengers who travel on Qantas services. This has helped make Qantas' proposition attractive for more of China Eastern's passengers, which in turn encourages them to choose Qantas over other carriers and provides a superior travel experience in Australia for high value Chinese fliers.

The alliance has also improved the ability of China Eastern's frequent flyer members to earn and redeem points on Qantas flights. Since September 2015, China Eastern members have seized more opportunities to earn and burn the points on Qantas flights throughout Qantas' both international and domestic network, which in turn improves the attractiveness of Australia as destination of choice for Chinese travellers [REDACTED - CONFIDENTIAL]

Without authorisation of the Proposed Conduct, the carriers would not have the commercial incentive to make available such benefits to consumers. Without the Extended JCA moving forward, the Applicants would review these arrangements and would be unlikely to continue tiered frequent flyer benefits such as lounge access and priority services. In turn, the removal or reduction of such benefits would make it harder for the Applicants to rebuild the Australia-China services post COVID-19 Pandemic because it reduces the attractiveness of Australia as a destination for Chinese travellers.

Improved Products and Customer Services

The alliance has delivered, and will continue to deliver, the ability for the Applicants to share product and service expertise and improve customer experiences. In particular, Qantas passengers travelling to and from Shanghai have been able to benefit from access to China Eastern's improved lounge facilities and coordinated customer service. [REDACTED - CONFIDENTIAL]

Customers are also able to have boarding passes for their full journey across both carriers issued in Australia and vice-versa.

The alliance has enabled knowledge transfer between the Applicants and coordination in respect of service offerings. For example, Qantas hosted a cabin crew exchange in August 2019 to share learnings on topics such as food and beverage, service design, safety and customer insights data. In December 2019, a senior China Eastern delegation met with Qantas Customer Experience with a view to drive improvements in the customer experience. Further, Qantas has launched a study seeking further customer insights from China Eastern (and other alliance partners), which will be used to monitor customer experience and identify areas for improvement.

With authorisation, Qantas and China Eastern will explore a number of opportunities to further improve customer experience. These initiatives include:

- creating a platform through which the airlines can record and exchange insights into customer preferences;
- exploring opportunities for onboard product exchange, such as the service of premium Australian wine on China Eastern operated flights and the service of Chinese tea on Qantas operated flights;
- developing a reciprocal cultural awareness training course to assist servicing customers of both carriers; and
- continuing to reduce the MCT in both Sydney and Melbourne, which has the potential to increase the range of connectivity options and reduce journey times in some circumstances.

Without authorisation, the Applicants will not have the incentive to facilitate smooth connections, lounge access or timely and integrated customer service for customers of the other carrier.

Access to Inventory

The alliance has provided the ability and incentive for Qantas and China Eastern to offer a greater availability and variety of price points for customers, arising from reciprocal inventory access and inventory management.⁷⁶ Customer choice has been enhanced because each carrier can access the full range of commercial fare types and all available seats on each other's aircraft. In practical terms, this has meant that both carriers have been able to sell a broader range of price points and more seats across each other's services than prior to the alliance. This has also meant that in cases where one carrier's loads are not full in the lead up to a departing service, the other carrier will be able to stimulate demand through discounted price points to help fill that capacity.

Sale activity is undertaken jointly. Each carrier's home market sales and marketing capabilities help balance demand directionality; for example, when Australian demand is weak (Qantas is naturally stronger in Point of Sale Australia than in Point of Sale China), China Eastern can help fill Qantas' seats with its greater ability to stimulate and retain Point of Sale China demand. Similarly, the Qantas and China Eastern teams have worked together to resolve ad-hoc booking issues. For example, if a China Eastern customer was seeking to book a China Eastern code seat on Qantas operated service but that seat was not showing as available due to a technical issue, then China Eastern Revenue Management would work with Qantas Revenue Management to facilitate access on behalf of the customer.

Once demand recovers after the COVID-19 Pandemic, the Australia-China market is expected to continue to be characterised by a high prevalence of group bookings (typically student and tours), mostly originating in China. [REDACTED - CONFIDENTIAL] Where Qantas does not have sufficient capacity to book a group on its own services, Qantas will be able to book these passengers as Qantas codeshare passengers on China Eastern operated services (and vice versa for China Eastern booking its passengers on Qantas operated services). This will mean that both carriers will have greater ability to offer more seats to such groups and again assist in economic recovery post COVID-19 Pandemic by attracting tourists and students back to Australia.

Without the alliance, under a limited arms length codeshare agreement, the Applicants would not coordinate inventory management or work together to maximise access to a variety of price points for each other. China Eastern would only have limited access to Qantas' seats in certain fare classes. Qantas would have no incentive to make inventory available to the same extent as is currently the case. Qantas would instead assign China Eastern lesser availability on its domestic services when that travel is associated with a long haul journey on China Eastern, so that Qantas can maximise connectivity only for its own passengers on the long haul Qantas operated flight. This would restrict China Eastern's ability to sell journeys into regional parts of Australia, which would make recovery of the Australian tourism industry more difficult after the COVID-19 Pandemic.

NO COMPETITIVE DETRIMENT

As set out above, the alliance has delivered, and will continue to deliver, significant public benefits. The Proposed Conduct provides the certainty and incentive that the Applicants need to work together to maximise the reinstatement and continued sustainability of services, particularly given the slowing of overall passenger growth, the proliferation of other carriers' new services and the impact of the COVID-19 Pandemic on demand. Without the alliance, Qantas' Sydney-Shanghai service is particularly jeopardised and Qantas' position in China becomes even more marginal.

Compared to a future where, without authorisation, the Applicants would revert to a limited arm's length codeshare relationship with no incentive to coordinate operations to facilitate customer choice and preserve Qantas' presence on the Australia-China market, the Proposed Conduct will not generate any competitive detriment. This is particularly the case given that at this stage, in the current circumstances, the Applicants are seeking only a short term extension of the alliance for a period of 18 months until March 2022, with a view to later seeking a further extension.

As discussed below, the Applicants overlap on only a single route in an intensely competitive Australia-China market. There is no evidence that the parties have artificially constrained capacity expansion or raised prices in the five years since the alliance was first authorised, nor is there any reason to suggest that such anti-competitive effects could or will occur going forward.

⁷⁶ As noted above, the ability for Qantas to book passengers on China Eastern's services was temporarily disrupted due to a system access issue. However, this issue is being resolved.

Size and Competitiveness of the Australia-China Market

As was the case in 2015, the competitive effects of the Proposed Conduct must be assessed in the context of broader Australia-China market dynamics. The relationship between Australia and China is diverse and continues to expand, notwithstanding the impact of the COVID-19 Pandemic. Various regional, social, political and economic factors drive competition between airlines on a daily basis and have incentivised multiple operators to commence new routes via multiple hubs to provide gateways into mainland China.

As set out earlier, the Australia-China market has experienced significant capacity growth over the past five years. Passengers travelling between Australia and China now have more operators and substitute routes to choose from than ever before. In the year ending October 2015, there were only six carriers operating services between Australia and China (Qantas, China Eastern, Air China, China Southern Sichuan Airlines and Jetstar). In the year ending December 2019, there were eleven (Qantas, China Eastern, Air China, China Southern, Sichuan Airlines, Jetstar, Beijing Capital Airlines, Xiamen Airlines, Hainan Airlines, Donghai Airlines and Tianjin Airlines). There will remain a number of effective competitors on services between Australia and China and seeking to attract and retain passengers as consumer confidence rebuilds after the COVID-19 Pandemic.

Within this broader market, Qantas operates passenger services on only one route – Sydney-Shanghai. Prior to the COVID-19 Pandemic, Qantas offered a single flight on a daily basis each way. Qantas also operates a dedicated freighter service between Sydney and Chongqing two times a week and between Sydney and Shanghai once a week.⁷⁷ As noted earlier, Jetstar ceased operating services between Australia and China in December 2019.

Prior to the COVID-19 Pandemic, China Eastern operated:⁷⁸

- twice daily services from Sydney to Shanghai;
- four weekly services from Brisbane to Shanghai;
- twice daily services from Melbourne to Shanghai;
- three weekly seasonal services from Perth to Shanghai;⁷⁹
- three weekly services from Sydney to Hangzhou;
- three weekly service from Sydney to Nanjing.
- three weekly services from Sydney to Wuhan; and
- two weekly services from Sydney to Kunming.

China Eastern carries freight in the bellyspace of its passenger services but does not operate any dedicated freighters to or from Australia.

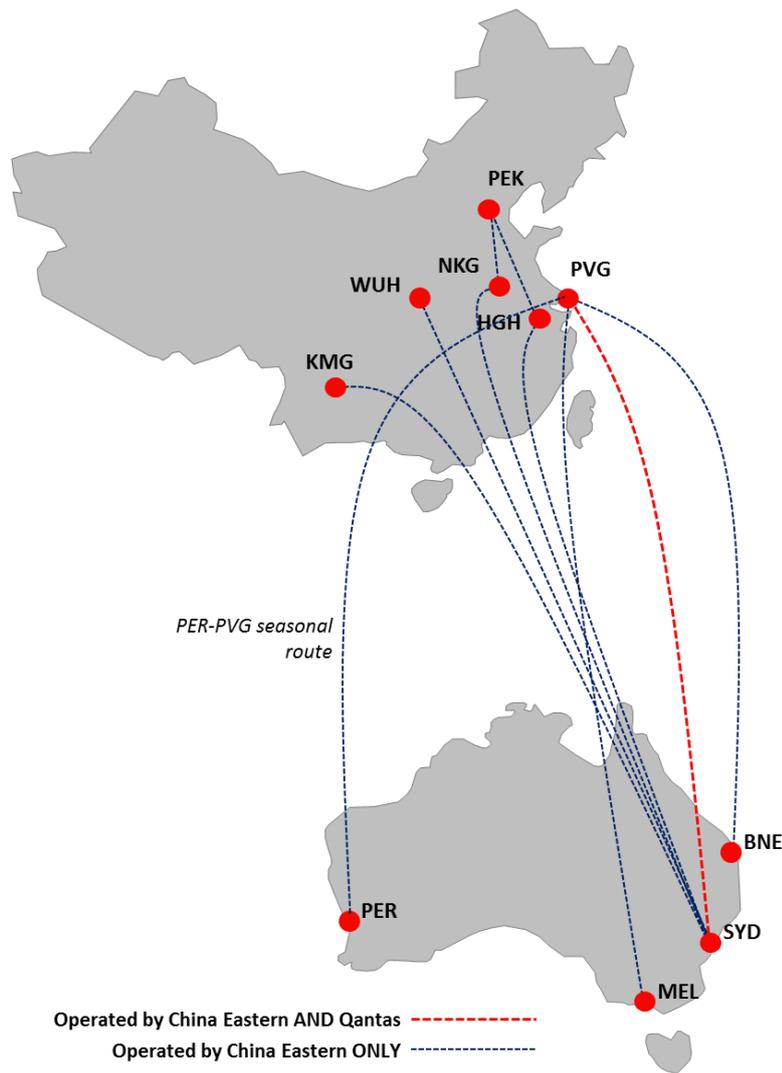
Overlap between the Applicants is therefore limited to the single Sydney-Shanghai route, as represented in Figure 10 below.

⁷⁷ These services have continued operating through the COVID-19 Pandemic.

⁷⁸ Based on typical schedule for the 12 months ended March 2020. Source Diao Mi.

⁷⁹ As noted above, these services were intended to operate on a seasonal basis until mid February 2020 but were suspended on 7 February 2020 due to the COVID-19 Pandemic.

Figure 10: Qantas and China Eastern's Complementary Passenger Service Networks



Effective Competitive Constraints

In respect of the Australia-China market generally (and also the Sydney-Shanghai route specifically), the Applicants will continue to be disciplined by a number of rivals who operate to and from large hubs in China, Hong Kong, Singapore and Malaysia and provide effective constraints. The Australia-China market is characterised by intense competition between a large number of carriers operating frequent services from Australia. Prior to the COVID-19 Pandemic, these competing direct weekly services included⁸⁰:

- China Southern (CZ) with 48 return frequencies to Guangzhou and Shenzhen, plus its subsidiaries:
 - Xiamen Airlines (MF), with 11 return frequencies to Fuzhou, Hangzhou and Xiamen; and
 - Sichuan Airlines (3U) with 6 return frequencies to Chengdu, Chongqing and Guiyang;
- Air China (CA) with 15 return frequencies to Beijing and Chengdu;
- Hainan Airlines (HU), with 11 return frequencies to Changsha, Haikou, Shenzhen and Xian;

⁸⁰ Frequency information sourced from Diio Mi NS20 and Amadeus schedule information. Average weekly services between April 2019 and March 2020, as published prior to the COVID-19 Pandemic.

- Beijing Capital Airlines (JD) with 6 return frequencies to Qingdao;
- Donghai Airlines (DZ) with 2 return frequencies to Shenzhen; and
- Tianjin Airlines (GS) with 3 return frequencies to Chongqing and Zhengzhou.

In addition, a number of carriers offer indirect weekly services between Australia and China via third countries, including (prior to the COVID-19 Pandemic):

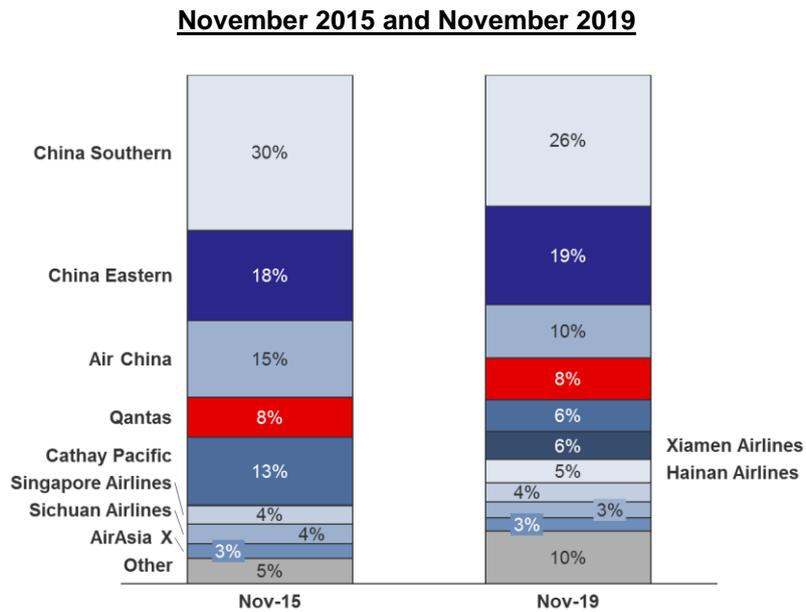
- Cathay Pacific with 72 return frequencies to Hong Kong, with Cathay Dragon and Cathay Pacific having 374 return frequencies beyond to China;
- SilkAir and Singapore Airlines with 145 return frequencies to Singapore, with 102 return frequencies beyond to China; and
- Malaysia Airlines with 50 return frequencies to Kuala Lumpur, with 40 return frequencies beyond to China.

Given current market uncertainty as a result of the COVID-19 Pandemic, it is difficult to demonstrate with precision the current state of the Australia-China market. A number of carriers have announced either temporary suspensions or ongoing cancellations of services and it is difficult to predict what services will be reinstated and when. The following analysis draws on data that reflects the market pre-COVID-19 Pandemic.

As set out in Figures 11 and 12 below, China Southern remains the dominant operator between Australia and China. Qantas still only has a current market share of around 8% of all passengers travelling between Australia and China.⁸¹ This compares to China Southern's share of passengers being around 26%, China Eastern around 19%, Air China around 10% and Cathay Pacific and Xiamen Airlines around 6% and Hainan Airlines around 5%. For completeness, share information based on passenger 'purpose' is included in Annexure E, while further information about China Southern and the various other competitors within the Australia-China market is set out in Annexure G.

⁸¹ Jetstar's and Jetstar Asia's share was 1.7% in November 2019.

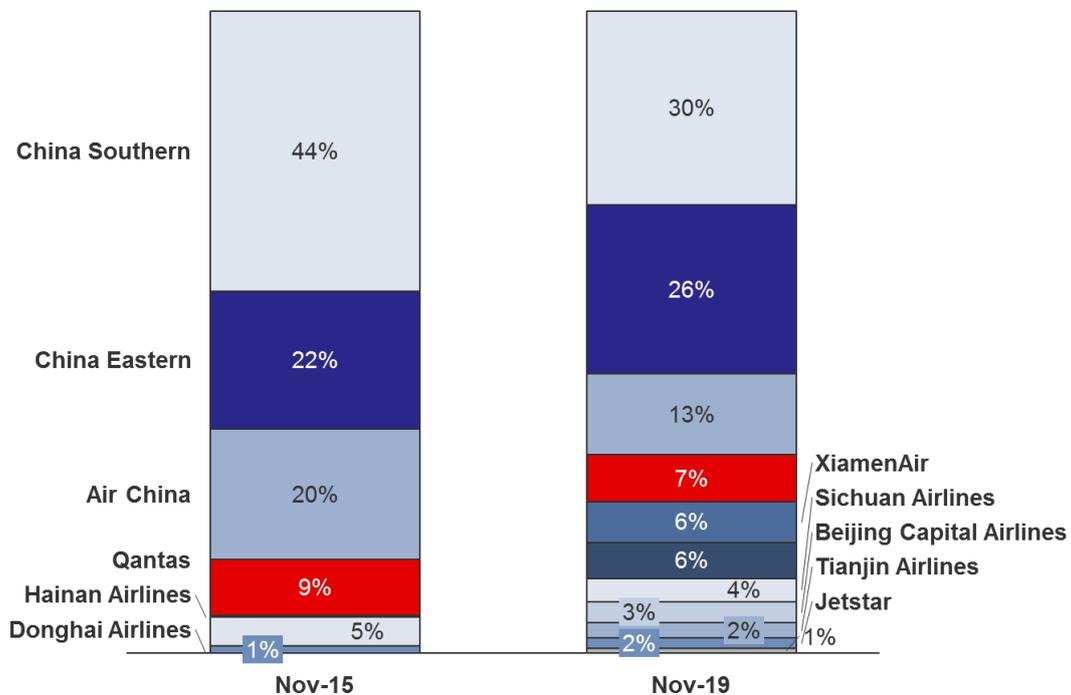
Figure 11: Passenger Share on Australia-China Services By Carrier:



Source: DDS estimate report

Note: DDS combines actual data used for bookings made through indirect channels for all carriers and direct bookings on Qantas, with estimates for direct bookings on all other carriers. Qantas and China Eastern have no input on estimate data.

Figure 12: Australia-China Market Share By Seat Capacity, By Carrier (Excludes Indirect Operators Flying via Third Countries): November 2015 and November 2019



Source: Diiomi

Indirect operators flying via third countries service the Australia-China market and impose a constraint on the direct operators. Demonstrating the reality of competition imposed by indirect operators is complex, given that many 'traditional' sources of market information in the airline industry only capture direct operators. However, using more recently developed data sources, it is possible to calculate the

share of indirect operators. For example, using DDS data for December 2019, 19% of passengers travelling between Australia and China connect via other ports in third countries.⁸² Although this has decreased from 30% in 2015, this reflects the fact that more passengers are transiting via hubs within China served by the many new operators that have commenced since 2015. As discussed further below, the data in Table 13 is important in showing an increasing percentage of Sydney-Shanghai travellers choosing indirect routings – a reality that constrains the Applicants in practice.

Table 13: Australia-China Passengers by Routing: Twelve Months Ended October 2015 vs Twelve Months Ended December 2019

Origin & Destination	Twelve Months Ended October 2015			Twelve Months Ended December 2019		
	Passengers (bi-directional total)	% Connecting via Australia or China ⁸³	% Connecting via other ports	Passengers (bi-directional total)	% Connecting via Australia or China ¹	% Connecting via other ports
Sydney-Shanghai	347,392	4%	14%	379,285	16%	12%
Melbourne-Shanghai	271,793	12%	20%	334,949	24%	18%
Sydney-Beijing	194,554	18%	29%	283,947	20%	11%
Melbourne-Beijing	118,559	28%	45%	200,530	43%	37%
Sydney-Guangzhou	156,339	2%	10%	190,013	8%	6%
Other	1,220,634	43%	38%	2,565,734	42%	22%
Total	2,309,271	28%	30%	3,954,458	34%	19%

Source: DDS Estimate Report

Note: DDS combines actual data used for bookings made through indirect channels for all carriers and direct bookings on Qantas, with estimates for direct bookings on all other carriers. Qantas and China Eastern have no input on estimate data.

The number of Australia-China passengers transiting through intermediate countries has increased, albeit slowly, at a CAGR of 1% over the last five years. Table 14 below shows that the number of passengers transiting in Hong Kong, Singapore, New Zealand and Malaysia is increasing year on year.

Table 14: Routing Data for Australia-China Origin-Destination Traffic, 2015-2019

Routing via country/region	2015	2016	2017	2018	2019
Direct Australia-China	1,754,004	2,237,559	2,837,486	3,270,781	3,273,318

⁸² Per DDS estimate report for April 2019 to December 2019.

⁸³ Includes passengers connecting through Australia or China and then via ports in other countries (13,697 passengers for the twelve months ended December 2019).

Routing via country/region	2015	2016	2017	2018	2019
Hong Kong	349,463	338,456	279,050	243,322	262,715
Singapore	149,340	170,493	182,632	212,019	244,730
Malaysia	103,010	127,040	159,234	127,245	137,371
Other	45,474	46,648	30,409	30,873	36,324
Total	2,401,291	2,920,196	3,488,811	3,884,240	3,954,458

Source: DDS Estimate Report, retrieved 6 March 2020

Sydney-Shanghai Route

Importantly, passengers on the Sydney-Shanghai route choosing not to fly direct and are instead transiting through other ports. The top three transit points for origin-destination Sydney-Shanghai passengers are:

- Hong Kong (HKG) where 7% of passengers transit;
- Guangzhou (CAN) where 4% of passengers transit; and
- Xiamen (XMN) where 4% of passengers transit.

In its April 2015 report, HoustonKemp found that there was clear evidence that some indirect operators were competing strongly to attract passengers travelling on the Sydney-Shanghai route, with those indirect operators having a strong incentive to attract Sydney-Shanghai traffic through their own hub to supplement their direct point to point traffic and reduce their average costs.⁸⁴ HoustonKemp identified that a hypothetical monopolist on direct services between Sydney and Shanghai may only need to lose a relatively small proportion of passengers to indirect operators following a small but significant and non-transitory increase in price (SSNIP) above the level that would prevail under effective competition, to make that price rise unprofitable.⁸⁵

Passengers are price sensitive and, offered sufficient incentive, can and will switch carriers. Indirect operators on the Sydney-Shanghai route such as China Southern and Cathay Pacific do capture traffic. In the period since Air China's exit from the route in March 2019,⁸⁶ the Applicants estimate that 27% of all passengers were still flying on carriers other than Qantas and China Eastern. Prior to its exit, Air China had 14% estimated share on the Sydney-Shanghai route. In the period since Air China's exit (April 2019-December 2019), Qantas and China Eastern increased share from 63% to 73%, with Xiamen Air also increasing share from 3% to 6% and Cathay Pacific increasing share from 5% to 6%.⁸⁷

⁸⁴ HoustonKemp 'Effects of the Qantas/China Eastern Alliance – A Report for Johnson, Winter and Slattery, 24 April 2015, pg v.

⁸⁵ HoustonKemp 'Effects of the Qantas/China Eastern Alliance – A Report for Johnson, Winter and Slattery, 24 April 2015, pg 24.

⁸⁶ Prior to the COVID-19 Pandemic, Air China still operated 15 return frequencies per week between Australia and China on other routes.

⁸⁷ DDS estimated share April 2018 to March 2019 (baseline comparison including Air China direct operations) versus April 2019 to December 2019 (nine months since Air China withdrawal).

Figure 13: Top Five Options to Fly Between Sydney and Shanghai (Ranked by Passenger Volume For The Twelve Months Ended December 2019, Maximum One Connection on Same Airline)



Source: DDS estimate report for twelve months ended December 2019.

Note: DDS combines actual data used for bookings made through indirect channels for all carriers and direct bookings on Qantas, with estimates for direct bookings on all other carriers. Qantas and China Eastern have no input on estimate data.

Table 15 below shows passenger volumes for carriers operating direct and indirect routes between Sydney and Shanghai. Carriers operating direct routes (China Eastern and Qantas; Air China until April 2019) carried 12,012 fewer passengers in 2019 versus 2015, driven by Air China's withdrawal of direct flights. Carriers operating indirect routes only (all other carriers) carried 34,193 additional passengers in 2019 versus 2015.

Table 15: Estimated Passenger Volume On Direct and Indirect Routes Between Sydney and Shanghai, Calendar Year 2015 and Calendar Year 2019

Sydney-Shanghai Passengers	China Eastern & Qantas	Air China	Cathay Pacific	China Southern	Xiamen Air	Other Indirect Operators
CY2015	247,603	49,258	24,695	12,555	801	22,192
CY2019	265,928	18,921	22,033	19,683	18,539	34,181
Difference	+18,325	-30,337	-2,662	+7,128	+17,738	+11,989

Source: DDS estimate report. Passenger counts are bi-directional total

Note: DDS combines actual data used for bookings made through indirect channels for all carriers and direct bookings on Qantas, with estimates for direct bookings on all other carriers. Qantas and China Eastern have no input on estimate data.

Table 16 below shows the weekly schedule frequency for various carriers selling Sydney-Shanghai fares, in December 2019. It shows that indirect operators (particularly Cathay Pacific) offered far more time channels and itinerary possibilities between Sydney and Shanghai than Qantas and China Eastern.

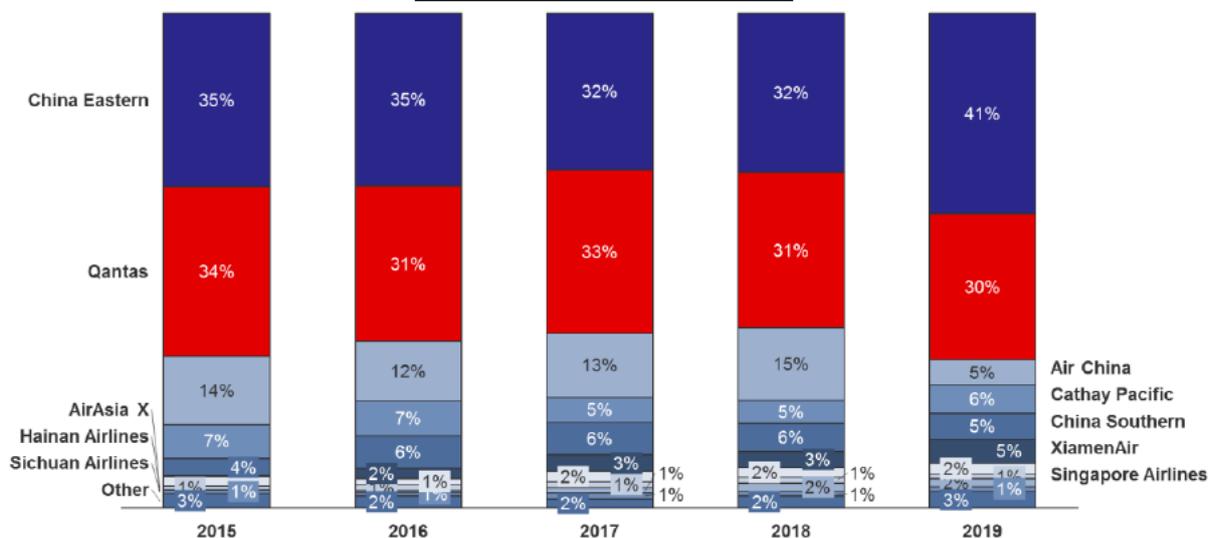
Table 16: Weekly Frequencies/Connections for Travel Between Sydney and Shanghai: December 2019

Carrier	Hub Point	Sydney-Hub Return Frequencies	Hub-Shanghai Return Frequencies
China Southern	Guangzhou	18	111
Cathay Pacific	Hong Kong	28	19
Singapore Airlines	Singapore	32	28
Malaysia Airlines	Kuala Lumpur	15	14
Air Asia	Kuala Lumpur	14	11
Qantas	Direct	N/A	7
China Eastern	Direct	14	N/A

Source: Diio. Includes all frequencies into Shanghai at both Pudong and Hongqiao Airports for December 2019

The presence of indirect operators is also reflected in Figures 14 and 15 below, which highlight passenger shares.

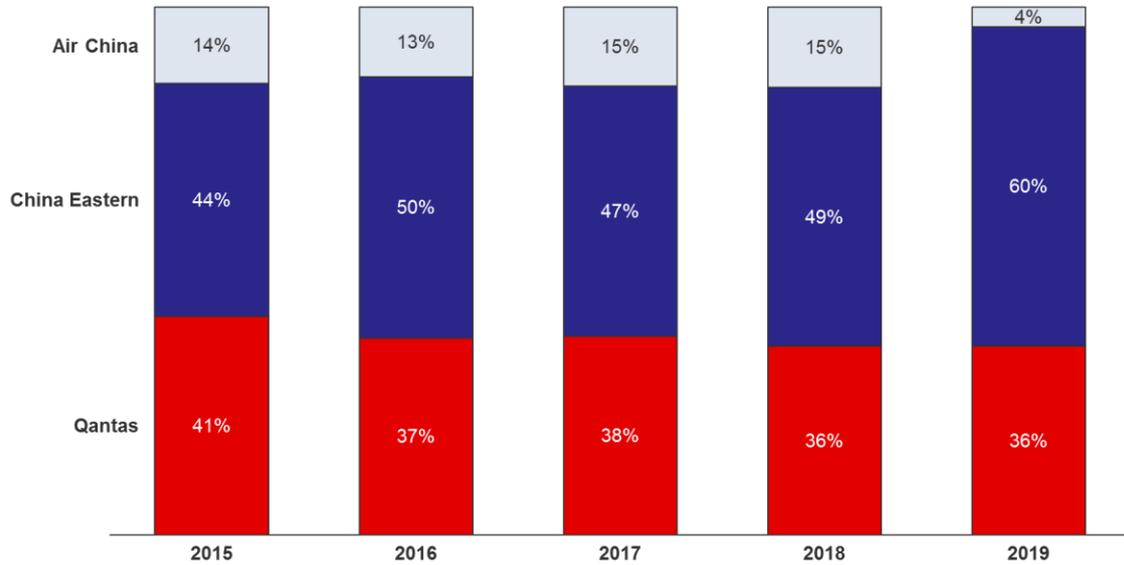
Figure 14: Sydney-Shanghai Route: Carrier Shares By Passenger Numbers (Including Indirect Operators)



Source: DDS estimate report for twelve months ended December 2019. Includes both Pudong and Hongqiao Airports in Shanghai.

Note: DDS combines actual data used for bookings made through indirect channels for all carriers and direct bookings on Qantas, with estimates for direct bookings on all other carriers. Qantas and China Eastern have no input on estimate data.

**Figure 15: Sydney-Shanghai Route: Carrier Shares By Seat Numbers
(Direct Operators Only)**



Source: Diio. Shows only those services into Pudong Airport (no carriers operate directly between Sydney and Hongqiao Airport in Shanghai)

As hub carriers use their capacity in and out of Australia to service numerous origin and destination itineraries beyond their hub, it is difficult to ascertain the capacity share of indirect carriers on the specific Sydney-Shanghai route. Comparing Figure 14 with Figure 15 highlights the importance of including indirect operators when considering the actual competitive dynamics on the Sydney-Shanghai route. Whilst Qantas and China Eastern held 96% of Sydney-Shanghai capacity in 2019, those carriers only attracted 70% of passengers on the route.⁸⁸

Moreover, the various data sources used for Figures 14 and 15 above do not capture the complete extent of the constraints imposed on the Applicants. This is because they are only measuring passengers and seats flown specifically into Shanghai Pudong Airport and Shanghai Hongqiao Airport. In practice, the Shanghai Catchment Area (also known as the Yangtze River delta region) is serviced by a number of other airports which are genuine substitutes for Shanghai Pudong Airport. These airports include Hangzhou, Nanjing, Ningbo, Wuxi, Changzhou and Nantong. The Shanghai Catchment Area is one of the most prosperous in China and there has been massive investment in high speed rail and road networks to better connect parts of it, including between airports. This means that:

- for passengers whose ultimate destination is the city of Shanghai, they do not necessarily need to fly into Pudong Airport or Hongqiao Airport. Instead, they can fly into other airports within the Shanghai Catchment Area and then use land transport to reach the city; and
- for passengers whose ultimate destination is not the city of Shanghai but is instead somewhere else within the Shanghai Catchment Area such as Nanjing and Hangzhou, those passengers can now choose direct services such as Xiamen/Guangzhou to Sydney and avoid Pudong Airport or Hongqiao Airport entirely.

Carriers operating into the various airports in the Shanghai Catchment Area are all competing for the same or similar passenger bases. Although there are no direct flights from Hangzhou or Nanjing to Sydney, there are indirect flights from Hangzhou or Nanjing via Xiamen or Guangzhou to Sydney. These

⁸⁸ 73% of passengers from April 2019 to December 2019 (after Air China withdrew Sydney-Shanghai direct services).

are operated by Xiamen Airlines and China Southern. The travel time between Hangzhou/Nanjing to Shanghai is less than one hour by bullet train. Many passengers are price sensitive tourists. Moreover, the total travelling time between direct flights and indirect flights is not very different. For example, the total travelling time from Nanjing to Sydney (via Guangzhou) operated by China Southern is 13 hours 35 minutes, the travelling time from Shanghai to Sydney operated by China Eastern is 10 hours 10 minutes. For a long haul international service, such a minimal time difference is not significant for price sensitive passengers. Thus, some Shanghai passengers have been attracted by the above indirect services provided by Xiamen Airlines and China Southern Airlines.

Passengers travelling from within the Shanghai Catchment Area to Sydney (or other parts of Australia) can use airports other than Shanghai Pudong Airport. Although the total journey times may be longer than the direct Qantas-China Eastern service by a couple of hours, this does not deter price sensitive leisure passengers from considering and taking up these options. This is particularly the case given that Shanghai Pudong Airport does not have any direct ground transportation to any cities in the Shanghai Catchment Area, meaning that passengers using Pudong Airport generally need to travel to the Shanghai Hongqiao Railway Station to transfer to bullet train services in any event.

For example, there are many passengers travelling to and from destinations in the Shanghai Catchment Area (like Suzhou, Wuxi and Changzhou) who could travel from Shanghai Hongqiao Airport to Sydney. Shanghai Hongqiao Airport is well connected to cities throughout the Shanghai Catchment Area, given that the airport is only a 10 minute walk from Shanghai Hongqiao Railway Station which in turn offers bullet train services to Suzhou (travelling time around 25-35 minutes), Wuxi (travelling time around 28-50 minutes). China Southern flies from Hongqiao Airport to Guangzhou (travel time 1 hour 35 minutes), and onwards to Sydney, with the total journey time being approximately 13 hours and 35 minutes. Hence, in this scenario, a passenger who travelled from Suzhou to Sydney using the two-stop service operated by China Southern would still arrive in Sydney in less than 15 hours (compared to Qantas/China Eastern's service of around 10 hours).

Therefore, in practice, on the Sydney-Shanghai route, the Applicants are also constrained by services of other carriers operating directly to other airports in the broader Shanghai Catchment Area.

Effective Competition In Practice

The effectiveness of competition on the Sydney-Shanghai route is borne out in practice, as described below. Evidence of price and capacity monitoring and reactions that occur on a daily basis in airline revenue and network management decision making indicates that the Applicants are constrained in practice.

The Applicants' competitors are not only numerous and large, but also effective and swift in their competitive responses. As the Commission is aware, when Qantas and China Eastern announced their alliance in 2014 and commenced in 2015, there was a strong competitive response from a number of other carriers. For example, when the alliance was first announced on 17 November 2014, China Southern responded 10 days later by announcing that it would resume A380 flights on one of its two daily Sydney-Guangzhou services⁸⁹; the following week Sichuan Airlines announced an intention to fly between the Gold Coast and Chengdu and Wuhan from 2015⁹⁰; one week later, Air China announced the introduction of new routes between Melbourne and each of Shanghai and Beijing.⁹¹

This intense competitive rivalry has continued throughout the last five years. Carriers offering direct and indirect services between Australia and China have continually improved their product proposition to seek to attract and retain passengers and responding to competitor moves. For example, product innovations by carriers on the Australia-China market include:

- China Eastern deployed its B777 aircraft (with first class cabin) and opened new lounges in Shanghai in 2016 and a new wave of lounges in 2019;

⁸⁹ 'CZ A380 back to SYD' in *Travel Daily*, 27 November 2014, p 4.

⁹⁰ 'Sichuan eyeing OOL,' in *Travel Daily*, 1 December 2014, p 2.

⁹¹ oneworld alliance news update, 12 December 2014; See 'Air China to fly Melbourne-Beijing direct', News.com.au: available: <http://www.news.com.au/national/breakingnews/airchina-to-fly-melbourne-beijing-direct/story-e6frfku9-1227198788654>

- Xiamen Airlines deployed its B787 aircraft to Australia from November 2015 and now operates to Melbourne and Sydney from Fuzhou, Hangzhou and Xiamen;
- Cathay Pacific has been progressively growing capacity to Australia by replacing A330 services with 777 services on Sydney since December 2014, plus commenced A350-900 operations with their latest cabin products from February 2017. Further, Cathay Pacific now operates its latest A350-1000 aircraft to Melbourne and Perth. Cathay Dragon is launching its A321neo aircraft with new business class cabins (serving traffic between Hong Kong and China) from 2020;
- Singapore Airlines has been growing frequency and capacity to Australia with new generation fleet, replacing A330-300 and 777-200ER with A350-900 and 787-10 services. On the Sydney market, it has introduced reconfigured A380 aircraft. These aircraft now provide lie-flat business class products, compared to angled business class seating on the A330-300; and
- Malaysia Airlines reconfigured its A330-300 fleet in 2016 to replace an angled flat business class seat with a lie flat business class seat with direct aisle access. In September 2018 it introduced the A350-900 on the Sydney-Kuala Lumpur market for the first time.

The fact that Qantas considers operators on the broader Australia-China market to be real competitive constraints on its operations on Sydney-Shanghai is reflected in a number of revenue management practices. In particular, Qantas benchmarks its fare offering with key one-stop competitors such as China Southern, Air China, Xiamen Airlines and Cathay Pacific. Despite the exit of Air China on the Sydney-Shanghai route, Qantas and China Eastern remain cognisant of the fare differential between the alliance's pricing for the direct services and the pricing (often cheaper) offered by one-stop competitors. Price competition has been intense on all routes between Australia and China, including on Sydney-Shanghai. This has not changed since the exit of Air China and will not change if the Proposed Conduct is authorised. Qantas and China Eastern pricing analysts monitor fares from China Southern, Air China, Cathay Pacific, Singapore Airlines and Xiamen Air on a daily basis and decisions will be made about whether and how Qantas should respond.

A number of carriers offer very competitive fares for travel between Sydney-Shanghai. A comparison with Qantas and China Eastern fares for various dates of future travel on the route is set out in Table 17 below. Indirect operators such as China Southern and Singapore Airlines have lower prices than Qantas and China Eastern; however, Qantas is often priced lower than other carriers such as Cathay Pacific across most of the comparison periods. Table 17 shows that Qantas is competitive with indirect options and will price both above and below indirect competitors based on its demand flows.

Table 17: All Inclusive Economy Cabin Price Comparison on Sydney-Shanghai Route

Outbound Travel Dates ex Sydney	Qantas All Inclusive Price	China Eastern All Inclusive Price	China Southern All Inclusive Price	Cathay Pacific All Inclusive Price	Xiamen Air	Singapore Airlines
Mon 25 May-2020 ⁹²	\$770	\$1,002	\$586	\$1,000	\$611	\$729
Wed 27-May 2020 ⁹³	\$745	\$977	\$586	\$1,000	\$611	\$747
Sat 4 July 2020 ⁹⁴	\$795	\$1,399	\$1,526	\$983	\$787	\$1,272

⁹² Date selected as representing first day of Qantas service resumption anticipated after COVID-19 Pandemic – with Monday being a preferred day of week for business purpose travel ex Australia.

⁹³ Date selected as representing mid week price available in first week of Qantas service resumption anticipated after COVID19-Pandemic.

⁹⁴ Date selected as representing first weekend of winter school holidays in New South Wales.

Outbound Travel Dates ex Sydney	Qantas All Inclusive Price	China Eastern All Inclusive Price	China Southern All Inclusive Price	Cathay Pacific All Inclusive Price	Xiamen Air	Singapore Airlines
Wed 19 August 2020 ⁹⁵	\$745	\$977	\$1,071	\$770	\$787	\$682
Fri 12-February 2021 ⁹⁶	\$1,045	\$2,619	\$4,107	\$833	\$4,125	\$867

Source: Airline websites, extracted on 7 March 2020. Prices shown in AUD. Assumes return travel one week after outbound departure. Note: it is likely that the pricing for all carriers reflected in Table 17 has been affected by the COVID-19 Pandemic and may be lower than usual.

There are some other historic examples of sharp pricing activity by competitors on the Sydney-Shanghai route. For example, during 2018 Cathay Pacific offered sale fares on the Sydney-Shanghai route for around \$600, which is equivalent to Qantas' all inclusive lead-in fare of around \$742. Cathay Pacific went on sale in June 2019 on the Sydney-Shanghai route for \$605 and on the Melbourne-Shanghai route for \$591⁹⁷. Similarly, as noted earlier, China Southern prices to attract passengers who wish to fly from Australia to Shanghai via its hub in Guangzhou. For example, China Southern offered Sydney-Shanghai flights on sale for only \$330⁹⁸ all-inclusive between 1 and 5 December 2018 and, between 11-15 November 2019, China Southern had Sydney to Shanghai flights on sale for \$456⁹⁹ all-inclusive.

From China Eastern's perspective, pricing on the Sydney-Shanghai route is actively constrained by the services offered by China Southern on the Guangzhou to Sydney route, Air China on the Beijing to Sydney route, Xiamen Airlines on the Xiamen to Sydney route and Hainan Airlines on the Haikou to Sydney route. All of these major carriers service Sydney directly from their own networks across mainland China, making it easy for connections to be offered between Shanghai and their hubs in China with Australia. This has been reflected in fierce price competition by these carriers for Sydney-Shanghai itineraries. For example, for travel on Sydney-Shanghai in March 2019, China Southern offered an all-inclusive fare of only 2503 CNY, while in June 2019, Xiamen Airlines offered an all-inclusive fare of only 2817 CNY. These fares compared to China Eastern's all-inclusive fare of around 3507 CNY at the equivalent times.

No Artificial Capacity Contraction Or Price Increases

As set out in detail above, there have been significant additions of capacity to the Australia-China market since the alliance commenced. There is no evidence of any artificial contraction of capacity, nor any reason to suggest that this will occur going forward.

Similarly, there is no evidence of any artificial price increases by the Applicants since the alliance began, and no reason to suggest that this will occur going forward. Since the alliance commenced in 2015, all inclusive fares on the Australia-China market have continued to be priced very competitively, with sale fares particularly low.

As Figure 16 below shows, fares on the Sydney-Shanghai route have decreased over time across both Business and Economy cabins. Comparing equivalent seasons with the latest full season, it is evident that the April 2017 average Point of Sale Australia Economy fare was \$501 compared to \$405 in April 2019.¹⁰⁰ In March 2017, the average Point of Sale Australia Business cabin fare was \$2,927 compared

⁹⁵ Date selected as representing mid week price in an off peak season.

⁹⁶ Date selected as representing Chinese New Year travel period in 2021.

⁹⁷ See <https://www.ozbargain.com.au/node/466137>

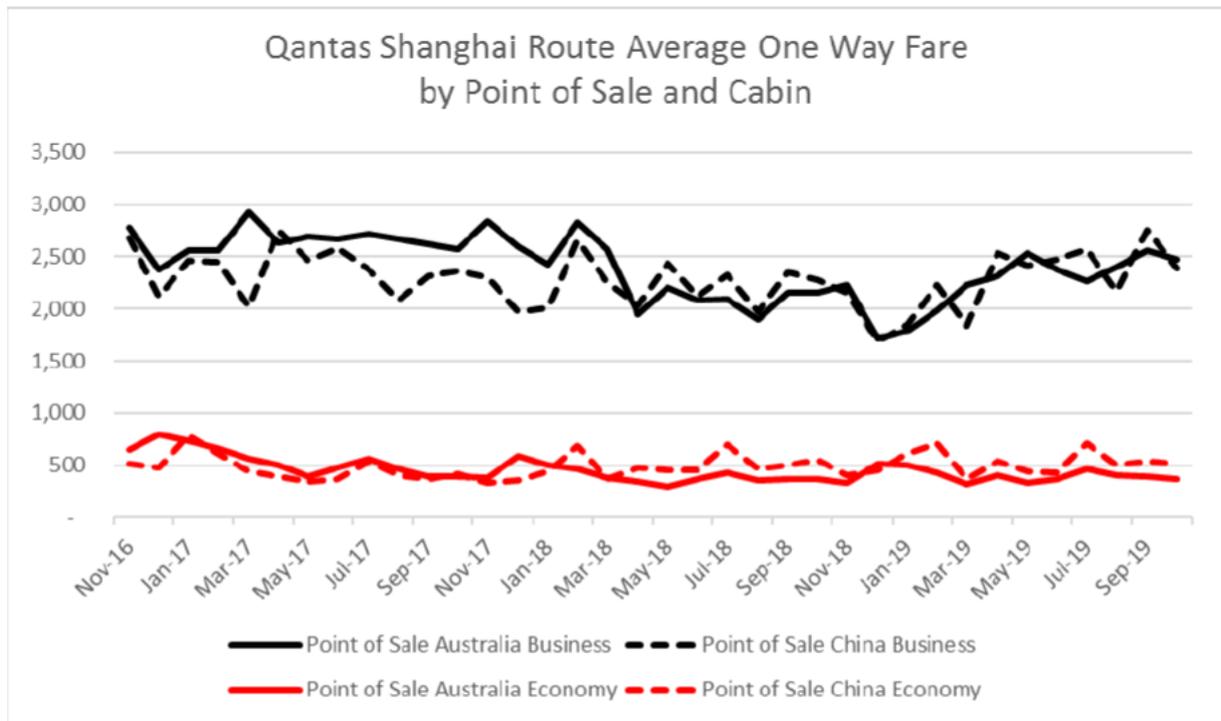
⁹⁸ See <https://www.ozbargain.com.au/node/421740>

⁹⁹ See <https://www.ozbargain.com.au/node/496589>

¹⁰⁰ Easter fell during April in both years.

to \$2,231 in March 2019.¹⁰¹ Directionally, fares have been in long term decline, particularly in Economy, in spite of Air China operating its final services between Australia and Shanghai in March 2019.

Figure 16: Qantas' Average One Way Fares Sydney-Shanghai Northern Winter 2016 to Northern Summer 2019 (Economy Cabin and Premium Cabin)

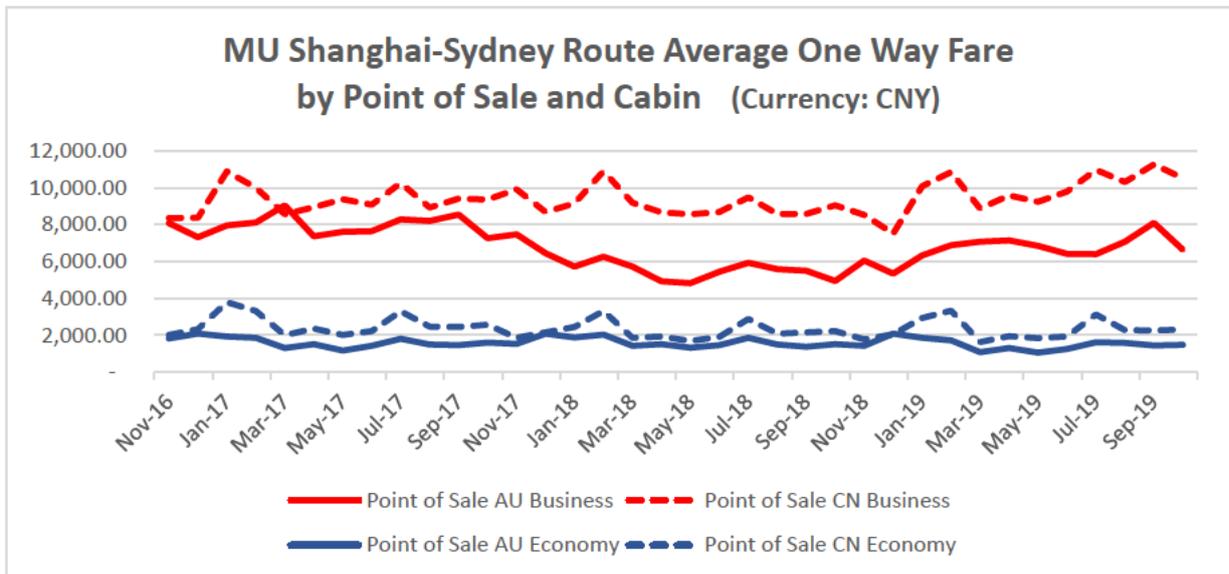


Source: Internal Qantas Reporting. Note that accurate data pre 2017 is not available Northern Winter 2016 season to Northern Summer 2019 (November 2016 to October 2019)

Average fare data on China Eastern operated services in Figure 17 below shows that average fares in Point of Sale Australia are lower than they were in 2016 in both economy and business cabins. Despite the cessation of Air China's Sydney-Shanghai services after March 2019, economy fares remain lower than they were in 2016.

¹⁰¹ March is a peak month for Australian corporate travel.

Figure 17: China Eastern's Average One Way Fares By Point of Sale and Cabin (Northern Winter 2016-to Northern Summer 2019 (Economy and Premium Cabin))



Source: Internal China Eastern Reporting. Note that accurate data pre November 2016 is not available. Northern Winter 2016 season to Northern Summer 2019 (November 2016 to October 2019)

Low Barriers to Entry and Expansion

The Applicants will remain constrained not only by the existing competitors on multiple routes between Australia and China, but also by the prospect of new entry. Although new entry is less likely to occur in the short-medium term in the wake of the COVID-19 Pandemic, if demand sufficiently recovers then it would be open to a number of carriers to expand their operations in the longer term.

As mentioned earlier, the Australia-China air services arrangements were updated to an open-skies style arrangement with the signing of a Memorandum of Understanding (MOU) in December 2016, which supplemented the current Air Services Agreement (ASA) and removed capacity restrictions for passenger services between all points in Australia and China for the airlines of both countries.¹⁰²

The ASA provides for growth opportunities for Australian and Chinese carriers (as well as third country carriers) in the long term and provides a framework to further grow the Chinese market once it has recovered after the COVID-19 Pandemic. In addition to unrestricted capacity, the MOU expanded opportunities for Australian and Chinese airlines to service destinations between and beyond both countries.

Freight Services

Like the market for passenger services between Australia and China, the market for freight services is also characterised by intense competition. Routes between Australia and Asia (including China) are characterised by substantial excess capacity, meaning that consignments are vigorously contested and prices are driven down. The Applicants have been, and will continue to remain, constrained by other rivals operating direct (and closely substitutable) passenger services (with bellyspace for freight carriage).

Prior to the COVID-19 Pandemic, in addition to bellyspace on passenger services direct into China (offered by carriers such as China Southern and Air China), Singapore Airlines operated 8 weekly dedicated freighters out of Australia, Cathay Pacific operated 2 weekly dedicated freighters out of Australia and Malaysia Airlines operated 2 weekly dedicated freighters out of Australia.¹⁰³ There are also many specialised freight operators providing significant (one way, northbound) freight services

¹⁰² See: https://trademinister.gov.au/releases/Pages/2016/sc_mr_161204.aspx

¹⁰³ Diio Mi January 2020 cargo schedule, retrieved 6 March 2020.

from Australia to Asia including Federal Express (**FedEx**) with 12 services per week out of Australia, and United Postal Services (**UPS**) Airlines with six services per week out of Australia prior to the COVID-19 Pandemic. Most full service airlines and specialist freight operators have large freight networks and a high frequency of freight services. For completeness, the market shares of Qantas and China Eastern in respect of freight services are set out in Annexure G.

From a freight perspective, the barriers to entry and expansion in all relevant regions are also low. Freight capacity, particularly dedicated freight capacity, tends to quickly and closely follow demand. This means that freight services are often either introduced or cancelled on a week to week or day to day basis depending on load factors. Given that most dedicated freight services operate at non-peak time slots, obtaining landing rights is generally not an issue for new or returning operators. The ASA between Australia and China provides for unlimited dedicated freighter capacity for both Australian and Chinese carriers.

Removal of Capacity Condition

Given the material changes to market conditions that have occurred since 2015 – namely, the significant capacity added by other carriers operating between Australia and China, the maturing of demand and the COVID-19 Pandemic – the Applicants do not consider it necessary or appropriate for the Commission to impose a mandatory level of capacity growth as it did in 2015. As set out above, the COVID-19 Pandemic has resulted in a material decline in demand and therefore profitability for both the Applicants' services between Australia and China and the Applicants have recently applied for variations in the current capacity conditions applicable to the Northern Winter 2019 and Northern Summer 2020 scheduling seasons.¹⁰⁴

A condition that requires the Applicants to deliver a CAGR of any level over any future term on routes between Australia and Shanghai is not going to be possible to comply with in practice. Qantas has no available fleet which could be profitably deployed on any new routes between Australia and Shanghai in the short term and China Eastern, having delivered significant capacity expansion since 2015, will not be able to profitably deploy any further increases to satisfy an ongoing CAGR requirement.

In fact, being required to add capacity that bears no resemblance to demand would lead to a situation of excess capacity and likely strain on both carriers' reinstated services. The Applicants would be forced to fill seats on an unprofitable basis, which will ultimately be likely to lead to the withdrawal and/or cancellation of services on a temporary or permanent basis.

A mandatory growth requirement therefore fulfils no proper regulatory purpose and is instead likely to lead to consumer harm by forcing the carriers to artificially over-service the market. Accordingly, the Applicants' strong view is that any authorisation of the Proposed Conduct must not include a mandatory CAGR requirement.

In addition, the Applicants do not consider that a condition requiring the maintenance of a base line level of capacity on the Sydney-Shanghai route or Australia-Shanghai routes is appropriate or necessary. In any event, determining an appropriate 'base year' for any such requirement is not practicable given the current market disruptions and uncertainty.

Interim Authorisation

The Applicants seek urgent interim authorisation to facilitate the immediate planning and coordination of services that will be operated after October 2020 when the current authorisation is due to expire. Interim authorisation is appropriate and reasonable in the current uncertain market circumstances and given the fact that the Applicants at this stage are only seeking a short term (18 month) extension of the current alliance without material variations.

Interim authorisation should be granted on the basis that the Proposed Conduct is inherently pro-competitive. It will enable the immediate continuation of significant, substantiated public benefits at a

¹⁰⁴ See Commission's variation of the capacity conditions issued on 25 March 2020: <https://www.accc.gov.au/system/files/public-registers/documents/Statement%20of%20Reasons%20-%20Variation%20to%20conditions%20of%20authorisation%20-%202025.03.20-%20PR%20-%20A91470%20Qantas%20China%20Eastern.pdf>

time of great challenge to consumers seeking to travel, Australian businesses seeking to import or export, between Australia and China.

Interim authorisation will:

- enable the Applicants to seamlessly continue to deliver existing public benefits and generate additional public benefits sooner than would otherwise be the case; and
- minimise significant financial harm that will be experienced by the Applicants if interim authorisation is not granted.

Allowing joint selling to continue seamlessly throughout 2020 will ensure that services, once reinstated, have the best prospect of success. In turn, this will expedite the public benefits that will flow in the longer term once services are fully operational. **[REDDACTED - CONFIDENTIAL]**

The ability to conduct a coordinated strategic campaign in both countries is the only way to enable a viable re-launch of the reinstated services after the COVID-19 Pandemic. Planning for and selling these services post October 2020 now, without the support and involvement of the other carrier, would be problematic commercially and confusing for consumers and travel agents. Any lost momentum or inability to maximise selling opportunities would mean that loads are affected and revenue is impacted. In circumstances where the Applicants are already coordinating on services between Australia and China, it would be artificial and commercially impractical to isolate or ring-fence decisions in relation to services post October 2020.

Interim authorisation will not give rise to permanent changes to the relevant market dynamics, particularly given the short term nature of the extension being currently sought and the fact that there are no material variations to the current alliance terms. As set out earlier, throughout 2020 (and beyond) the Applicants will remain constrained by significant and aggressive competitors on all relevant routes. Moreover, these competitors are expected to be very active in the period after the COVID-19 Pandemic in attempts to re-stimulate demand. In addition, interim authorisation will not cause any detriment to consumers given that the Applicants are already coordinating operations pursuant to existing authorisations. The Applicants would commit to ensuring that to the extent ticketed passenger fares and any frequent flyer benefits and entitlements are offered in respect of the period after October 2020, they would be honoured, and booked travel re-accommodated (if necessary), in the event that final authorisation is not granted.

CONCLUSION

Interim authorisation, and ultimately authorisation, of the Proposed Conduct will provide the Applicants with the immediate certainty to reinstate and continue to provide sustainable capacity on routes between Australia and China. As set out above, relative to the counterfactual position in which the Applicants would revert to a limited codeshare relationship, the future with authorisation is one in which customers of both carriers continue to enjoy a range of existing benefits.

Continuing the alliance gives the Applicants the best chance to restore confidence and sustainable services to consumers and businesses of both Australia and China in the short term after the COVID-19 Pandemic, whilst also providing the certainty and incentive to plan and implement other customer benefits in the medium-long term.

The test for both interim and final authorisation is clearly satisfied in circumstances where:

- at this stage, given current market conditions, the Applicants are seeking only a short term extension of the current alliance arrangements;
- the actual and likely benefits are significant – and even more critical in the current circumstances of the COVID-19 Pandemic - and will not be delivered, or will only be delivered to a much reduced extent, in the counterfactual position; and
- there will be no competitive detriment in continuing the alliance, given the minimal operating overlap on a single route in an intensely competitive market.

ANNEXURE A – RELATED ENTITIES

Qantas

Entity	Country of Incorporation
AAL Aviation Limited	Australia
Airlink Pty Limited	Australia
Australian Air Express Pty Ltd	Australia
Australian Airlines Limited	Australia
Australian Regional Airlines Pty. Ltd.	Australia
Eastern Australia Airlines Pty. Limited	Australia
Express Freighters Australia (Operations) Pty Limited	Australia
Express Freighters Australia Pty Limited	Australia
H Travel Sdn Bhd	Malaysia
Hangda Ticket Agent (Shanghai) Co. Ltd	China
Holiday Tours & Travel (Korea) Limited	Korea
Holiday Tours & Travel (Singapore) Pte. Ltd.	Singapore
Holiday Tours & Travel Limited	Hong Kong
Holiday Tours & Travel Ltd	Taiwan
Holiday Tours & Travel Pte. Ltd.	Singapore
Impulse Airlines Holdings Proprietary Limited	Australia
Jetabout Japan, Inc.	Japan
Jetconnect Limited	New Zealand
Jetstar Airways Limited	New Zealand
Jetstar Airways Pty Limited	Australia
Jetstar Asia Airways Pte Limited	Singapore
Jetstar Asia Holdings Pty Limited	Australia
Jetstar Group Pty Limited	Australia
Jetstar Holidays Co. Ltd.	Japan
Jetstar International Group Australia Pty Limited	Australia
Jetstar International Group Japan Co., Ltd	Japan
Jetstar NZ Regional Limited	New Zealand
Jetstar Regional Services Pte. Ltd.	Singapore
Jetstar Services Pty Limited	Australia
Network Aviation Holdings Pty Ltd	Australia
Network Aviation Pty Ltd	Australia
Network Holding Investments Pty Ltd	Australia
Network Turbine Solutions Pty Ltd	Australia
Osnet Jets Pty Ltd	Australia
PT Pacto Holiday Tours	Indonesia
Q H Tours Ltd	Australia
Qantas Airways Domestic Pty Limited	Australia
Qantas Asia Investment Company (Singapore) Pte. Ltd.	Singapore
Qantas Asia Investment Company Pty Ltd	Australia
Qantas Cabin Crew (UK) Limited	United Kingdom
Qantas Courier Limited	Australia
Qantas Domestic Pty Limited	Australia
Qantas Foundation Trustee Limited	Australia
Qantas Freight Enterprises Limited	Australia
Qantas Frequent Flyer Limited	Australia
Qantas Frequent Flyer Operations Pty Limited	Australia
Qantas Ground Services Pty Limited	Australia
Qantas Group Accommodation Pty Limited	Australia
Qantas Group Flight Training (Australia) Pty Limited	Australia
Qantas Group Flight Training Pty Limited	Australia
Qantas Information Technology Ltd	Australia
Qantas Road Express Pty Limited	Australia
Qantas Superannuation Limited	Australia
Qantas Ventures Pty Ltd	Australia
QF A332 Leasing 1 Pty Limited	Australia

QF A332 Leasing 2 Pty Limited	Australia
QF BOC 2008-1 Pty Limited	Australia
QF BOC 2008-2 Pty Limited	Australia
QF Cabin Crew Australia Pty Limited	Australia
QF Dash 8 Leasing No. 4 Pty Limited	Australia
QF Dash 8 Leasing No. 5 Pty Limited	Australia
QF Dash 8 Leasing No. 6 Pty Limited	Australia
QF ECA 2008-1 Pty Limited	Australia
QF ECA 2008-2 Pty Limited	Australia
QF ECA A380 2010 No.1 Pty Limited	Australia
QF ECA A380 2010 No.2 Pty Limited	Australia
QF ECA A380 2010 No.3 Pty Limited	Australia
QF ECA A380 2010 No.4 Pty Limited	Australia
QF ECA A380 2011 No.1 Pty Limited	Australia
QF ECA A380 2011 No.2 Pty Limited	Australia
QF EXIM B787 No.1 Pty Limited	Australia
QF EXIM B787 No.2 Pty Limited	Australia
QH International Co. Limited.	Japan
Regional Airlines Charter Pty Limited	Australia
Southern Cross Insurances Pte Limited	Singapore
Sunstate Airlines (Qld) Pty. Limited	Australia
Taylor Fry Holdings Pty Limited	Australia
Taylor Fry Pty Limited	Australia
The Network Holding Trust	N/A
The Network Trust	N/A
Vii Pty Limited	Australia

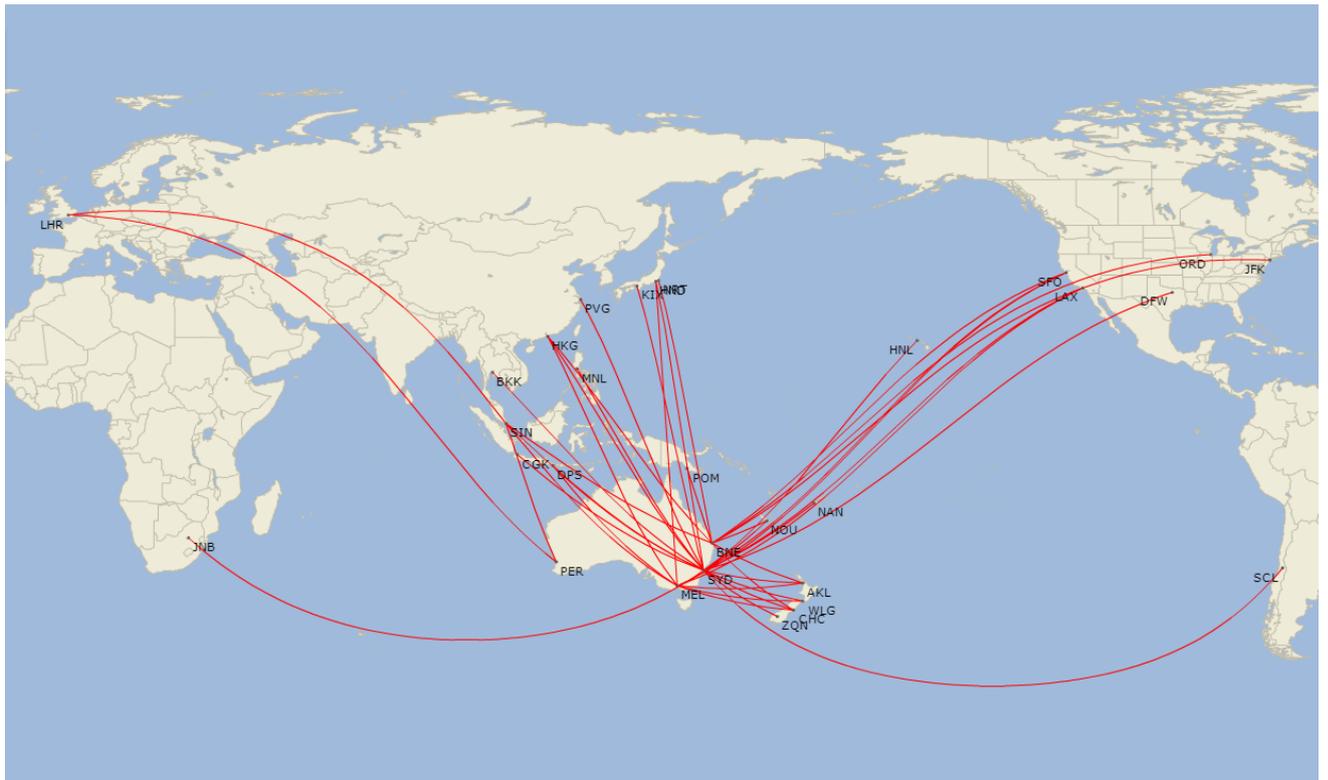
China Eastern

Entity	Country of Incorporation
China Eastern Airlines Jiangsu Co Ltd	China
China Eastern Airlines Wuhan Co Ltd	China
China Eastern Airlines Yunnan Co Ltd	China
China Eastern Airlines Technology Co Ltd	China
China Eastern Business Jet Co Ltd	China
China Eastern Airlines Application Development Center Co Ltd	China
China Eastern Airlines E-Commerce Co Ltd	China
Eastern Air Overseas (Hong Kong) Co Ltd	China
Shanghai Eastern Flight Training Co Ltd	China
Eastern Airlines Hotel Co Ltd	China
Shanghai Airlines Co Ltd	China
Shanghai Airlines Tours International (Group) Co Ltd	China

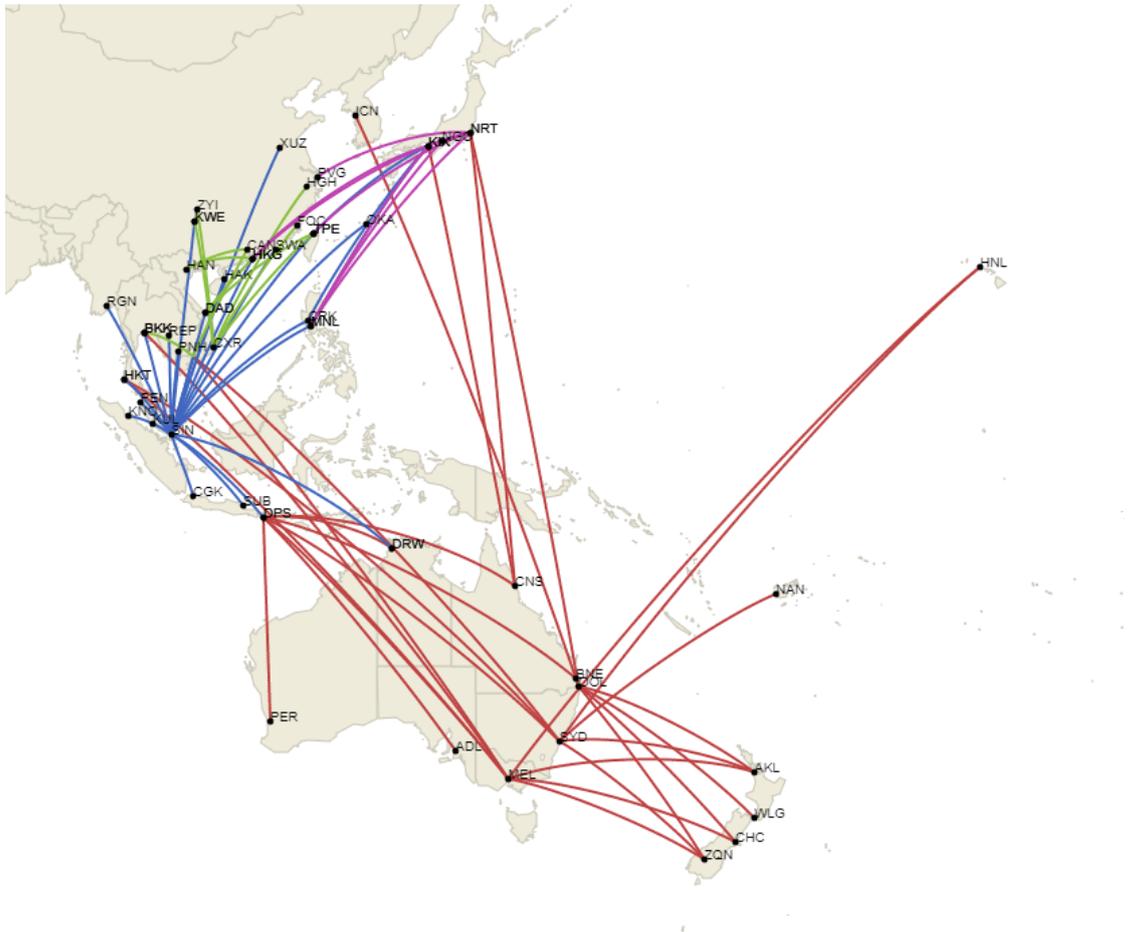
CONFIDENTIAL ANNEXURE B – JOINT COORDINATION AGREEMENT AND ASSOCIATED AGREEMENTS

[REDACTED – CONFIDENTIAL]

ANNEXURE C – QANTAS INTERNATIONAL ROUTE MAP (PRE COVID-19 PANDEMIC)

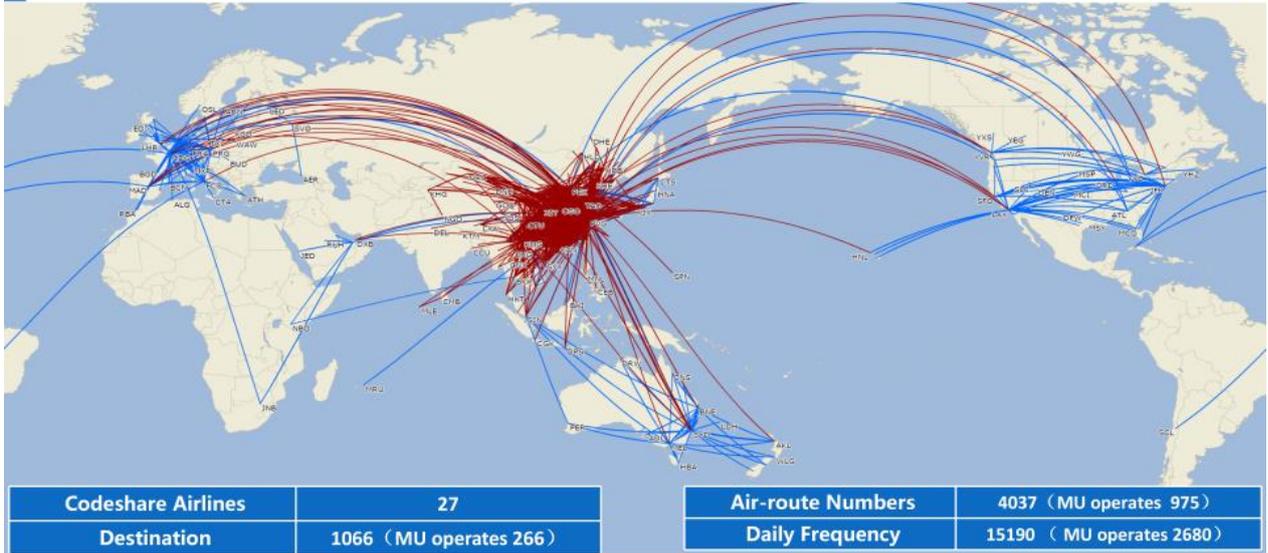


ANNEXURE D – JETSTAR INTERNATIONAL ROUTE MAP (PRE COVID-19 PANDEMIC)



ANNEXURE E – CHINA EASTERN ROUTE MAP (PRE COVID-19 PANDEMIC)

Network of China Eastern



— MU Operated routes

— Codeshare Routes

Destinations of China Eastern (Totally 266)



**CONFIDENTIAL ANNEXURE F – FURTHER AUSTRALIA-CHINA MARKET SHARE
INFORMATION**

[REDACTED -CONFIDENTIAL]

CONFIDENTIAL ANNEXURE G – FREIGHT MARKET SHARES

[REDACTED – CONFIDENTIAL]

ANNEXURE H – INFORMATION ON COMPETITORS SERVICING AUSTRALIA-CHINA MARKET (PRE-COVID-19 PANDEMIC)

China Southern

China Southern is the largest airline in China, with the most developed route network and the largest annual passenger throughput.¹⁰⁵ By the end of 2019, China Southern had operated a total of 850 passenger and cargo transport aircraft. In 2019, it had also handled over 150 million passengers, seeing it rank first in Asia and third in the world in terms of fleet size and passenger throughput.¹⁰⁶

China Southern is headquartered in Guangzhou with 16 branches in Beijing, Shenzhen and other cities.¹⁰⁷ The airline provides more than 3,000 flights to more than 40 countries and regions, and 224 destinations over more than 1,000 routes with more than 50 million seats.¹⁰⁸

The airline is majority owned by China Southern Air Holding Limited Company (CSAHC), which has a 36.92% shareholding.¹⁰⁹ CSAHC is a state owned-owned asset managed directly by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) under the direction of the Chinese Government.¹¹⁰ China Southern holds 8 aviation subsidiaries, including:¹¹¹ Xiamen Airlines, Shantou Airlines, Zhuhai Airlines, Guizhou Airlines, Chongqing Airlines and Henan Airlines.

China Southern had approximately a 30% share of both frequencies and seat capacity in the Australia-China market as it continued to expand its operations in Australia. During peak periods in the summer of 2019, China Southern operated a record 55 weekly flights.¹¹² This marked its rapid expansion in the Australian market - in 2009, China Southern only carried 138,000 passengers to and from Australia and held a market share of 0.6% of Australia's international market.¹¹³ The airline's Australian operation then surpassed its 500,000 annual passenger target in 2011 and its 1 million passenger target in 2016.¹¹⁴ 2016 highlighted China Southern's rise in the market as it carried 1.1 million passengers to and from Australia as it captured a 2.9% share of Australia's international market.¹¹⁵ This cemented China Southern's place in 2017 as the seventh largest foreign airline in Australia after Emirates, Singapore Airlines, Air New Zealand, Cathay Pacific, AirAsia X and Etihad.¹¹⁶

China Southern's weekly flights to Australia have experienced an upwards trend based on OAG schedule data. In September 2013, it operated 31 weekly flights, in September 2016 it operated 42 weekly flights, in September 2017, it operated a 48 weekly flights, and in September 2019 it operated 40 weekly flights. In 2017, 17 of those flights were to Melbourne and Sydney, 7 to Brisbane, four to Perth and three to Adelaide.¹¹⁷

Xiamen Airlines

¹⁰⁵ China Southern Airlines (2018). *Annual Report 2018*. [online] p.7. Available at: <https://www.csair.com/en/about/investor/yejibaogao/2019/resource/c0bdc4d0789ce1cdcefe8cffe45749d.pdf> [Accessed 20 Jan. 2020].

¹⁰⁶ China Southern website: <http://www.csair.com/au/zh/about/gongsjianjie/> (Accessed 25 Mar 2020). Ibid.

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

¹⁰⁹ China Southern website: <https://www.csair.com/cn/about/investor/gupiaoxinxi/> (Accessed 25 Mar 2020). Ibid.

¹¹⁰ 'Main Functions and Responsibilities of SASAC', SASAC.gov.cn. Available:

<http://www.sasac.gov.cn/n2963340/n2963393/2965120.html>. (Accessed 22 August 2014). State-owned Assets Supervision and Administration Commission of the State Council. (n.d.). *About Us*. [online] Available at: <http://en.sasac.gov.cn/aboutus.html> [Accessed 20 Jan. 2020].

¹¹¹ China Southern Airlines (2018). *Annual Report 2018*. [online] p.64. Available at: <https://www.csair.com/en/about/investor/yejibaogao/2019/resource/c0bdc4d0789ce1cdcefe8cffe45749d.pdf> [Accessed 20 Jan. 2020].

¹¹² The Blue Swan Daily. (2017). *China Southern celebrates 20 years in Australia with more capacity expansion*. [online] Available at: <https://blueswandaily.com/china-southern-celebrates-20-years-in-australia-with-more-capacity-expansion/> [Accessed 20 Jan. 2020].

¹¹³ Ibid.

¹¹⁴ Diio Mi, December 2019 sample [Accessed 25 Mar].

¹¹⁵ The Blue Swan Daily. (2017). *China Southern celebrates 20 years in Australia with more capacity expansion*. [online] Available at: <https://blueswandaily.com/china-southern-celebrates-20-years-in-australia-with-more-capacity-expansion/> [Accessed 20 Jan. 2020].

¹¹⁶ The Blue Swan Daily. (2017). *China Southern celebrates 20 years in Australia with more capacity expansion*. [online] Available at: <https://blueswandaily.com/china-southern-celebrates-20-years-in-australia-with-more-capacity-expansion/> [Accessed 20 Jan. 2020].

¹¹⁷ The Blue Swan Daily. (2017). *China Southern continues secondary route expansion with Cairns launch*. [online] Available at: <https://blueswandaily.com/china-southern-continues-secondary-route-expansion-with-cairns-launch/> [Accessed 20 Jan. 2020].

Xiamen Airlines, in which China Southern has a 55% shareholding, was established in 1984 with its headquarters located in Xiamen – making it one of the youngest fleets in the world.¹¹⁸ The airline operates a fleet of around 206 aircraft with a network of 350 domestic and international routes covering China, Southeast and Northeast Asia, Europe, North America and Oceania.¹¹⁹ In recent years, Xiamen Airlines has taken advantage of its SkyTeam membership and has extended its reach to 1074 destinations in 177 countries.¹²⁰

Xiamen Airlines has possessed the highest international financial rating among the Chinese airlines as well as being the only company in China's civil aviation industry to possess the "China Quality Award."¹²¹ Xiamen Airlines' SkyTeam membership has allowed it to become a major operator between Australia and China and, as of 2019, Xiamen Airlines operated 6 weekly flights from Xiamen and Fuzhou to Sydney and Melbourne, increasing from 4 weekly flights in 2016.¹²²

Sichuan Airlines

Sichuan Airlines, in which China Southern has a 39% shareholding, was established in 1986 and is an effective competitor on routes between Australia and China. Headquartered in Chengdu in China, Sichuan Airlines has 161 aircraft serving more than 94 cities. Sichuan Airlines mainly operates flights in East Asia, as well as Australia, New Zealand, Africa, Western Asia, Southeast Asia, Europe and North America.

Prior to the COVID-19 Pandemic, Sichuan Airlines operated services three times a week from Melbourne to Chengdu and two times a week from Sydney to Chongqing. The Melbourne services commenced in February 2013 and the Sydney services commenced in December 2013. In June 2019, Sichuan Airlines started a Chengdu-Guiyang-Melbourne weekly service.¹²³

Air China

Air China was established in 1988 following the Chinese Government's decision to create separate commercial airlines out of the Civil Aviation Administration of China (CAAC). Air China is listed on the Hong Kong and London Stock Exchanges. It is the national flag carrier for China. Air China's base and most important hub is Beijing Capital International Airport. Its secondary hub is Shanghai Pudong International Airport.¹²⁴ The carrier has 676 aircraft operating a total of 766 passenger flight routes, including 132 international routes, 29 regional routes, and 605 domestic routes covering 41 countries and regions worldwide connecting 190 cities, including 67 international cities, 120 domestic cities and three regions.¹²⁵ In cooperation with Star Alliance member airlines, its service network is further extended to 1,317 destinations in 193 countries.¹²⁶

Prior to the COVID-19 Pandemic, Air China operated services to Beijing from Sydney up to seven times a week, from Melbourne five times a week and to Sydney from Melbourne five times per week. Furthermore, starting in late 2017, Air China operated Brisbane to Beijing flights four days a week.¹²⁷

Beijing Capital Airlines

¹¹⁸ Idlib.

¹¹⁹ Idlib.

¹²⁰ Xiamen Airlines website: https://www.xiamenair.com/brandnew_CN/about/aboutXH.html [Accessed 25 Mar. 2020]

¹²¹ Idlib.

¹²² Diio Mi [Accessed 25 Mar. 2020].

¹²³ Australian Aviation. (2019). *Melbourne Airport reports 1.9% Passenger Growth for 2018/19*. [online] Available at: <https://australianaviation.com.au/2019/07/melbourne-airport-reports-1-9-per-cent-passenger-growth-for-2018-19/> [Accessed 20 Jan. 2020].

¹²⁴ 'Profile on Air China', CAPA – Centre for Aviation. Available: <http://centreforaviation.com/profiles/airlines/air-china-ca>.

(Accessed 20 January 2014). CAPA. (n.d.). *Air China Profile*. [online] Available at: <https://centreforaviation.com/data/profiles/airlines/air-china-ca> [Accessed 20 Jan. 2020].

¹²⁵ Idlib.

¹²⁶ Air China website. Available: http://www.airchina.com.cn/cn/about_us/company.shtml (Accessed 23 Mar 2020). Idlib.

¹²⁷ Executive Traveller. (2017). *Air China to fly Brisbane-Beijing direct from December 2017*. [online] Available at: <https://www.executivetraveller.com/air-china-to-fly-brisbane-beijing-direct-from-december-2017> [Accessed 20 Jan. 2020].

Beijing Capital Airlines was established in 2010 through a strategic partnership between Beijing Municipal Government and HNA Group.¹²⁸ A subsidiary of Hainan Airlines, Beijing Capital Airlines is a Chinese low-cost airline based in Beijing Daxing International Airport.¹²⁹ With a fleet of 85 aircraft, Beijing Capital Airlines operates 400 routes, including 11 domestic routes, 14 international routes and Hong Kong, Monaco and Taiwan regional routes.¹³⁰ The airline's international route network extends to Europe, North America, Oceania, Japan, South Korea and Southeast Asia.¹³¹

Prior to the COVID-19 Pandemic, Beijing Capital Airlines offered a three times weekly Shenyang-Qingdao-Melbourne service¹³² as well as a four times weekly Sydney-Qingdao service.¹³³

Tianjin Airlines

Tianjin Airlines, a member of the HNA Group, is headquartered in Tianjin Binhai International Airport passenger terminal building, Dongli District, Tianjin, operating domestic scheduled passenger and cargo flights.¹³⁴ The airline commenced operations in 2007 and now operates a fleet size of 104 aircraft operating over 125 destinations.¹³⁵ The airline possesses a network spanning across China, connecting Japan, Korea, Russia and other countries and regions and including direct flights to the UK, New Zealand and Australia.¹³⁶

Prior to the COVID-19 Pandemic, Tianjin Airlines offered Melbourne-Chongqing flights three times a week¹³⁷ as well as two flights a week to Sydney as part of its Tianjin-Zhengzhou-Sydney-Zhengzhou-Tianjin rotation.¹³⁸

Cathay Pacific

Cathay Pacific is the flag carrier of Hong Kong with its head office located at the Hong Kong International Airport.¹³⁹ Cathay Pacific is majority owned by logistics corporation Swire Pacific, with a 45% shareholding, with Air China also possessing a significant shareholding of 29%.¹⁴⁰ Cathay Pacific operates to over 200 destinations across the Asia-pacific, Africa, Europe, the Middle East and North America.¹⁴¹ Cathay Pacific possess a fleet of around 240 aircraft.¹⁴² In 2018, the airline carried over 35 million passengers.¹⁴³

Cathay Pacific is one of the main operators in the Australia-China market, behind China Southern. Passenger services are operated from Hong Kong through Cathay Pacific's wholly owned subsidiary, Cathay Dragon. Its Hong Kong hub provides efficient connections for Australia-China traffic. Currently, Cathay Pacific serves Adelaide, Brisbane, Melbourne, Perth and Sydney with a combination of Airbus A330-300, A350-900, A350-1000 and Boeing 777-300ER.¹⁴⁴

¹²⁸ Beijing Capital Airlines. (n.d.). *About Us*. [online] Available at: <https://intl.jdair.net/news/index?id=4&valueMenuaid=6> [Accessed 20 Jan. 2020].

¹²⁹ bid.

¹³⁰ bid.

¹³¹ bid.

¹³² Australian Aviation. (2016). *Beijing Capital Airlines touches down in Melbourne*. [online] Available at: <https://australianaviation.com.au/2016/09/beijing-capital-airlines-touches-down-in-melbourne/> [Accessed 20 Jan. 2020].

¹³³ Australian Aviation. (2017). *Beijing Capital Airlines touches down in Sydney*. [online] Available at: <https://australianaviation.com.au/2017/10/beijing-capital-airlines-touches-down-in-sydney/> [Accessed 20 Jan. 2020].

¹³⁴ Tianjin Airlines. (n.d.). *Company Profile*. [online] Available at: <https://global.tianjin-air.com/CN/GB/CPPF> [Accessed 20 Jan. 2020].

¹³⁵ bid.

¹³⁶ bid.

¹³⁷ Australian Aviation. (2017). *Tianjin Airlines expands into Australia*. [online] Available at: <https://australianaviation.com.au/2017/11/tianjin-airlines-expands-into-australia/> [Accessed 20 Jan. 2020].

¹³⁸ Australian Aviation. (2018). *Tianjin Airlines adds Sydney to Australian Network*. [online] Available at: <https://australianaviation.com.au/2018/01/tianjin-airlines-adds-sydney-to-australian-network/> [Accessed 20 Jan. 2020].

¹³⁹ CAPA. (n.d.). *Cathay Pacific Profile*. [online] Available at: <https://centreforaviation.com/data/profiles/airlines/cathay-pacific-cx> [Accessed 21 Jan. 2020].

¹⁴⁰ bid.

¹⁴¹ bid.

¹⁴² Cathay Pacific. (n.d.). *Cathay Pacific Group Fact Sheet*. [online] Available at: <https://news.cathaypacific.com/fact-sheet> [Accessed 21 Jan. 2020].

¹⁴³ bid.

¹⁴⁴ Australian Aviation. (2019). *Cathay Pacific says HK Political Unrest has affected forward bookings*. [online] Available at: <https://australianaviation.com.au/2019/08/cathay-pacific-says-hk-political-unrest-has-affected-forward-bookings/> [Accessed 21 Jan. 2020].

Singapore Airlines

Singapore Airlines is the flag carrier of Singapore with its main hub based at Singapore Changi Airport.¹⁴⁵ Its fleet of wide-body Boeing and Airbus aircraft operate to over 63 destinations spanning over Asia, North America, Australasia, Europe, Africa and the Middle East.¹⁴⁶ As at December 2019, Singapore Airlines operated a fleet of 127 passenger aircraft with an average age of six years and seven months.¹⁴⁷ As of 31 March 2019, Singapore Airlines had 93 aircraft on firm order.¹⁴⁸

Prior to the COVID-19 Pandemic, Singapore Airlines operated more weekly flights to Australia than any other international airline with non-stop flights to eight destinations in Australia including: Adelaide, Brisbane, Cairns, Canberra, Darwin, Melbourne, Perth and Sydney.¹⁴⁹ From Australia, Singapore Airlines operated daily services to these destinations with onward connections to destinations in China (to Guangzhou, Beijing and Shanghai).¹⁵⁰

Singapore Airlines' subsidiary Tiger Airways operates services from Australia (Perth) to Singapore and on to regional destinations in South East Asia, including China.¹⁵¹ Singapore Airlines also wholly owns Scoot, a low cost carrier which operates from Australia to Singapore (again with onward services to China). Singapore Airlines has a 20% shareholding in Virgin Australia,¹⁵² reinforcing its commitment and interest in the Australian market. Furthermore, on 1 July 2019, Singapore Airlines (SIA) and Tourism Western Australia signed a cooperative marketing agreement to jointly promote tourism in Western Australia.¹⁵³

¹⁴⁵ CAPA. (n.d.). *Singapore Airlines Profile*. [online] Available at: <https://centreforaviation.com/data/profiles/airlines/singapore-airlines-sq> [Accessed 21 Jan. 2020].

¹⁴⁶ 'Where we fly', Singapore Airlines. Available: http://www.singaporeair.com/en_UK/plan-and-book/where-we-fly/. (Accessed 23 Mar 2020). Idlib.

¹⁴⁷ Singapore Airlines press release Dec 2019. Available: <https://www.singaporeair.com/saar5/pdf/Investor-Relations/Financial-Results/presentation/slide-q3fy1920.pdf> (Accessed 23 Mar 2020). Singapore Airlines (2019). *Annual Report 18/19*. [online] Singapore Airlines, p.24. Available at: <https://www.singaporeair.com/saar5/pdf/Investor-Relations/Annual-Report/annualreport1819.pdf> [Accessed 21 Jan. 2020].

¹⁴⁸ Singapore Airlines Annual Report 2013/14. Available: <http://www.singaporeair.com/pdf/Investor-Relations/Annual-Report/annualreport1314.pdf> (Accessed 15 August 2014). Idl b.

¹⁴⁹ Singapore Airlines. (2020). *Australia in 2020*. [online] Available at: https://www.singaporeair.com/en_UK/gb/plan-travel/local-promotions/australia [Accessed 21 Jan. 2020].

¹⁵⁰ Singapore Airlines. (2014). *Singapore Airlines A380 To Serve Beijing*. [online] Available at: https://www.singaporeair.com/en_UK/us/media-centre/press-release/article/?q=en_UK/2014/April-June/10Jun2014-1943 [Accessed 21 Jan. 2020].

¹⁵¹ 'Where we fly', Tigerair. Available: http://www.tigerair.com/au/en/destination_map.php. (Accessed 15 August 2014). Tiger Airways. (n.d.). *Destinations*. [online] Available at: <https://tigerair.com.au/explore/destinations> [Accessed 21 Jan. 2020].

¹⁵² See 'Notice of change in substantial shareholding' lodged with ASX 28 March 2014. Available: <http://www.asx.com.au/asxpdf/20140328/pdf/42nnt99mzcfcc0.pdf> (Accessed 15 August 2014). Hatch, P. (2018). 'Five elephants in the room': *Virgin Australia dances ownership tango*. [online] The Sydney Morning Herald. Available at: <https://www.smh.com.au/business/companies/five-elephants-in-the-room-virgin-australia-dances-ownership-tango-20180110-p4yydg.html> [Accessed 21 Jan. 2020].

¹⁵³ Singapore Airlines. (2019). *SIA Signs Marketing Agreement With Tourism Western Australia*. [online] Available at: https://www.singaporeair.com/en_UK/us/media-centre/press-release/article/?q=en_UK/2019/July-September/ne1219-190701 [Accessed 21 Jan. 2020].