



Australian Competition & Consumer Commission

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Our Ref:
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24 December 2003

Mr Brett Johnson
General Counsel
Qantas Airways Limited
203 Coward Street
Mascot NSW 2020

Dear Mr Johnson

Trade Practices Act 1974
Applications for Reauthorisation of Joint Services Agreement
between Qantas and British Airways

An article by Mr Ben Sandilands in the Australian Financial Review of 23 December 2003 entitled "Qantas frequent flyer points fly away" draws attention to a development affecting the earning of points from 1 January 2004. As of that date Qantas frequent flyers travelling on a BA flight number on economy class tickets will only earn 0.25 points per mile compared to the 1.00 point per mile they earn currently and will continue to earn when travelling on a Qantas flight number.

This development appears relevant to the concept of 'passengers at risk' raised in the NECG Report when discussing the counterfactual submitted by Qantas and BA in relation to the above matter. I would be grateful in this respect if you could assist with some further information on the frequent flyer schemes the two airlines operate.

- (1) Could you please advise the percentage of passengers travelling on JSA services in 2002 with origins/destinations in each of (i) South East Asia, (ii) continental Europe and (iii) the United Kingdom who were members respectively of the Qantas and BA frequent flyer schemes.
- (2) After 1 January 2004 will there be any difference between the Qantas and BA schemes in terms of the basis on which points/miles are earned across the various categories of fare types? It is noted for example that the BA web site states that Executive Club benefits do not extend to customers who only fly on restricted fares.
- (3) It is noted that eligibility for membership of the BA scheme is restricted to persons who have booked or taken at least full economy fare travel and that non residents of the UK do not necessarily qualify for membership. Australian residents for example



cannot join the BA scheme. Are there any similar residency restrictions on membership of the Qantas frequent flyer scheme?

- (4) In terms of flights operated under the JSA are there any restrictions [either through the marketing process, yield management or for other reasons] on individual flights on the number of seats allocated to either the Qantas or BA designators. Is it possible for example for all seats on a BA operated flight to have Qantas flight codes if that is what passengers have requested?
- (5) How many residents of the United Kingdom are members of the Qantas frequent flyer scheme?
- (6) To what extent would the changes to the Qantas scheme being implemented from 1 January 2004 and the differences in eligibility requirements of the two schemes be expected to affect consumer choice between flights of Qantas and BA under the counterfactual?

Thank you for your assistance in this matter. If you have any queries on the matters raised above would you please contact Greg Outzen on 02 6243 1227.

Yours sincerely



Paul Palisi
Acting General Manager
Adjudication

***** TRANSMISSION REPORT *****

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Message:

Dear Brett
Letter on JSA application attached.
Best wishes for the festive season.

Greg Outzen

Greg Outzen

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