

Meeting with Qantas and British Airways

9.30am, Friday 16 January 2004, ACCC Offices Canberra.

Qantas: Rob Gurney, John Kerr, Jill Henderson.
BA: Keith Hayward.
ACCC: Amanda Dadd, Greg Outzen.

The meeting was sought by Qantas to discuss prorate issues raised in the ACCC's letter of 8 December 2003.

It was agreed that the meeting would be used to provide ACCC staff with an understanding of how prorates operated in the context of the JSA and Qantas code sharing on BA services into Europe. The meeting would not be regarded as the response to the ACCC's letter of 8 December 2004. A separate response would be provided which would also encompass issues raised at the meeting.

Qantas/BA provided an example of the revenue arising from a ticket for travel from Australia to Amsterdam with Qantas providing the service from Australia to London and BA provided the service from London to Amsterdam. The revenue was examined in terms of its apportionment under the JSA and in terms of a counterfactual scenario where oneworld alliance prorates applied absent the benefit sharing model.

It was argued that the revenue due to BA under the counterfactual came only from the London/Amsterdam, was very small, and not of a level where it would commercially justify BA to take Qantas travellers on peak flights given BA's ability otherwise to yield manage seats to obtain higher returns. BA's preparedness to carry such travellers under the JSA was influenced by its sharing in the revenue from long haul sectors.

RG acknowledged that Australian passengers wanting a stopover in London would probably not be seeking a peak period connection which was more likely a requirement of those travellers connecting to other European cities. Passengers who were travelling from another European city en route to Australia via London would need a peak period flight to connect with London – Australia services given those services departed in the evening.

Comparisons were made between code shares operated on JSA routes and code shares operated on other routes with Cathay Pacific, American Airlines, and Alaskan Airlines. BA/Qantas contended that the main distinction with these code shares was one of availability of inventory. Access to code share seats was at the discretion of the operating carrier.

GO indicated that the ACCC was having difficulty accepting the counterfactual provided with the JSA re-authorisation application which stated that there would be no code sharing between Qantas and BA absent authorisation. Given for example BA was prepared to provide code share services at the end of long haul to Cathay Pacific and American Airlines, it did not seem logical that it would not provide similar services to Qantas which was not only a oneworld alliance partner but also an airline in whom BA had a substantial equity interest.

RG indicated that absent authorisation both BA and Qantas would compete on the JSA routes and would be unlikely to enter into parallel code share arrangements with each other. To the extent any code share relationship developed, it would be restricted to tag end services along the lines of those conducted with Cathay Pacific and American Airlines.

There was some discussion of the extent to which slot access at Heathrow was or was not a barrier to competition and reference was made to the paper supplied by Qantas/BA with their letter of 6 January 2004. ACCC staff indicated they would probably seek the views of other regulators on the paper. Regulators such as the US DOT, the EC and the OFT were closer to this issue having previously examined it as a factor in a number of major alliance cases.

Qantas/BA asked if they could see any responses from other regulators. ACCC staff advised that to the extent that any responses were public documents, ie confidentiality had not been claimed, they would be made available.

Qantas indicated that they had not seen an ACCC letter of 24 December 2003 to Brett Johnson to which reference was made in the meeting. A copy of the letter was provided.

The meeting closed at 11.00pm