

FILE No:
S/PRISM:

NSW Department of Tourism, Sport and Recreation
Office of the Director-General

Ms Isabelle Arnaud
Director, Adjudication
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Ms Arnaud

**RE: AUTHORISATION APPLICATIONS LODGED BY QANTAS AIRWAYS and
BRITISH AIRWAYS PLC (A30226) and (A30227) for a RESTATED JOINT
SERVICES AGREEMENT**

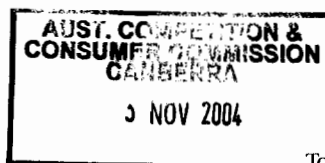
Thank you for your letter of 23 August 2004 requesting comment on the application from Qantas Airways Limited and British Airways Limited for authorisation of a restated Joint Services Agreement (JSA), and related and consequential coordination of schedules and pricing between the parties.

I can advise that Tourism New South Wales supports the application based on assessment of the service and market development considerations impacting on the New South Wales tourism industry.

It is noted that the JSA between Qantas and BA provides for coordination of airlines services between Australian and Europe in terms of scheduling, marketing, sales, freight, customer service and pricing. It also addresses code sharing arrangements between the airlines.

Based on the evidence presented in the Draft determination, in submissions presented to the ACCC and the review of the recent UK market performance, Tourism New South Wales concludes the following;

- The intermediate Asian airlines, and the new airlines such as Emirates, provide substantial competition on the Europe/Australia routes
- Carriers based in Australia and Europe have significant difficulty in profitably serving the Kangaroo route, given that many of their customers disembark at the mid point of their journey
- The main market impacted by the JSA between Qantas and BA is the UK leisure market, which is of major significance to New South Wales
- There seems to be little evidence that the JSA (effectively operating in one form or another since 1995) has been detrimental to the development of the UK market



For these reasons Tourism New South Wales supports the application for a restated JSA.

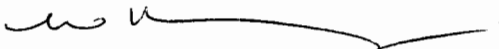
It is the view of Tourism New South Wales that approval should not be for an indefinite period, as requested by the Proponents.

In particular, the dynamics of the international aviation sector suggest that airlines may come and go on routes and that these major structural changes are difficult to forecast. In this regard, the recent decision by British Airways to sell its shareholding in Qantas is one example of the significant changes that can take place. These industry and market dynamics suggest that it might be in the public interest to require reauthorisation. Tourism New South Wales suggests a five year period for the current approval process.

The proposed reauthorisation process may be facilitated by the ACCC indicating the changes which have taken place since the previous reauthorisation, and determining which of these are material before undertaking a full scale review. This approach may assist the cost and timeliness of the review process.

I trust that these comments are of assistance in the ACCC's current review process.

Yours sincerely



Bill Healey
Director General

Date: 27/10/2004