



Australian Tourist Commission

11 February 2004

Mr Tim Grimwade
General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

FILE No:
DOC:
MARS/PRISM:

Re: Application by Qantas and British Airways for authorisation of a Restated Joint Services Agreement

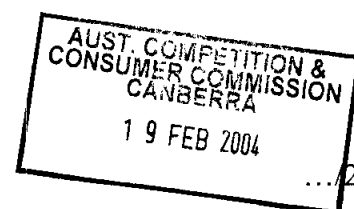
Dear Mr Grimwade,

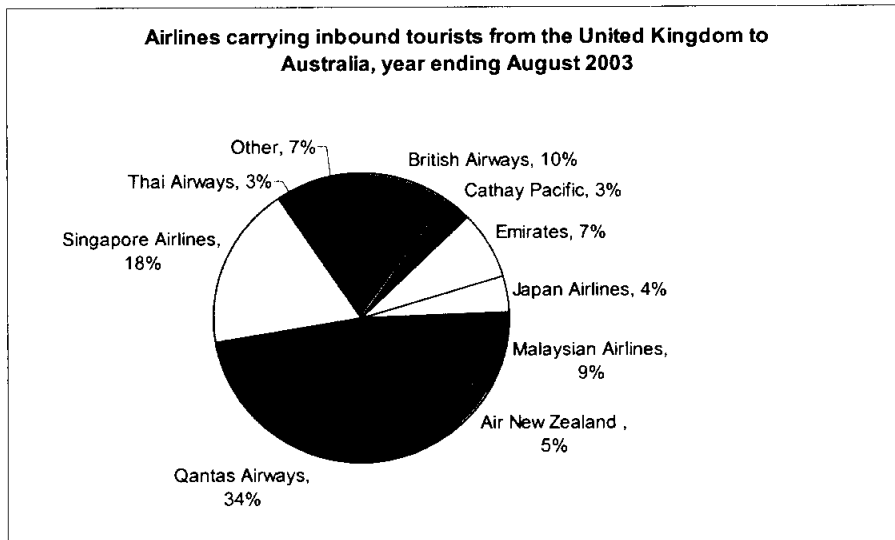
You wrote to me on 11 June 2003 noting that the ACCC had provided interim authorisation for the RJSA pending its final determination on the application.

On 25 June 2003 the Department of Industry, Tourism and Resources provided a submission in support of the authorisation of the RJSA. In the covering letter as well as within the Submission, the Department indicated that the ATC had been consulted in the development of this submission. The purpose of this letter is to encourage the ACCC to complete its analysis of the proposal and issue a determination that authorises the RJSA for no less than five years.

As the JSA has been in operation since 1995, and in its proposed RJSA form since 2000 the RJSA is now one of the more enduring aspects of aviation competition on routes between Australia and Europe. We continue to believe the RJSA, as part of the competitive landscape, is in the national interest. In addition, we believe a rejection of the authorisation is not warranted given the competitiveness of the routes.

The UK is the largest tourism export market for Australia. We estimate that in 2002 the UK provided \$2.9 billion of total tourism export earnings of \$17.6 billion. As shown in the following graph there continues to be strong airline competition for inbound tourists from the UK to Australia.





Source: Department of Transport and Regional Services, special data service for origin destination data by inbound tourism market for the 20 airlines servicing Australia.

On the basis of this Department of Transport and Regional Services data for the year ending August 2003, non RJSA airlines satisfied 56 per cent of inbound tourist passenger demand. The 44 per cent share for endpoint airlines on a route, even with the RJSA, is a comparatively small share by world standards indicating the effective competition from airlines in intermediate countries.

In addition, since the original granting of the interim authorisation new low cost airlines are blooming in South East Asia. These airlines offer the prospect of further competition from carriers in intermediate ports for Qantas/BA on RJSA routes.

The delay in reauthorisation of the RJSA is now beginning to impact on key decisions by Qantas and regulatory agencies important to the future of inbound tourism.

For example, in the complex world of bilateral airline regulation the RJSA gives Australian interests a greater voice in UK Government decision-making. As Qantas considers re-entering the high potential China and India market one of the influences on this decision is the opportunity to use 'beyond rights' to London. Gaining Qantas services to China and India as our fastest growing markets is of great significance to the future growth of these markets and inbound tourism overall.

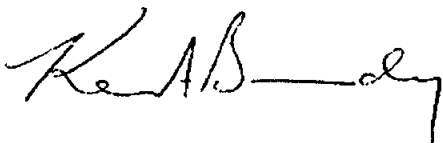
The China-Australia bilateral agreement from mid last year allowed Qantas these beyond rights. However, use of these rights also depends on the agreement of the UK Government: agreement that has so far been withheld. Obviously if the RJSA authorisation is rejected then the attitude of the UK Government might stiffen against Australian interests, and any delay or negative regulatory comment could discourage a favourable decision by the UK Government.

Similarly, the European Union is considering a joint approach by the Australian, New Zealand and Singapore Governments in support of a regional open skies agreement. The ACCC decision on the RJSA will no doubt be considered by the European Union in deciding on the priority to be accorded efforts to reach this regional agreement, compared to working on alternative agreements such as with the USA.

Within Australian international airline policy the delays to the RJSA authorisation inevitably add uncertainty to Australian Government consideration of proposals for new services from other countries that could impact on our carriers. Since the interim authorisation there have been proposals for additional services from a number of intermediate country airlines that impinge on Australia-UK routes.

In brief the ATC considers the ACCC should move rapidly to confirm the authorisation of the RJSA, and that to encourage long-term commitment from the parties this authorisation should be for a minimum of five years.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ken Boundy', with a long horizontal stroke extending to the right.

KEN BOUNDY
Managing Director