

# NEWS RELEASE



Australian  
Competition &  
Consumer  
Commission

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*Attention: Aviation, travel writers*

## **A.C.C.C. ALLOWS QANTAS/BRITISH AIRWAYS 'KANGAROO ROUTE' ALLIANCE**

The Australian Competition and Consumer Commission has granted authorisation\* to allow the continuation of an alliance which has operated between Qantas and British Airways since 1995.

"The decision issued today recognises that there is an overall benefit associated with the alliance at this time", ACCC Chairman, Mr Graeme Samuel, said. "Where there is a competitive environment such as the one that exists in the Joint Services Agreement, or JSA, markets, there is a strong possibility that cost savings made by Qantas and BA under the JSA will end up, one way or another, in the hands of consumers".

The decision confirms a draft decision issued by the ACCC in August last year proposing to authorise the alliance between the two airlines for a further five years. Following the draft decision, the ACCC held a conference at which it heard submissions from Qantas, BA and Virgin Atlantic, the main party opposing the alliance and recent entrant on the Kangaroo Route. The ACCC also accepted further written submissions on the draft decision.

"The JSA has been authorised twice before, but in a dynamic industry like international aviation there is a need to regularly revisit such arrangements.

"The JSA allows agreement between competitors to coordinate prices. This aspect requires very careful scrutiny by the ACCC to ensure there is continuing overall benefit to the public.

"It is clear from submissions made to the ACCC that there has been strong price competition on the Kangaroo Route, particularly for leisure travellers, over recent years, and the ACCC is satisfied that this price competition will continue.

"The JSA also allows Qantas and BA to coordinate scheduling, marketing, sales, freight and customer service activities. The coordination occurs on services between Australia and Europe, including services between Australia and Europe and intermediate points such as Bangkok and Singapore.

"The ACCC believes that the JSA does result in a lessening of competition in the market for business passengers between Australia and Britain where the JSA partners hold 60 per cent of the market overall. The dominance of Qantas and BA in this market is reinforced by slot constraints at Heathrow airport which may provide barriers to market entry by new carriers and expansion by existing carriers.

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"The ACCC is of the view that the alliance does not result in a significant lessening of competition in other business passenger markets or in the markets for leisure passengers to Europe or South East Asia. The leisure passenger markets in which the JSA partners operate are very competitive with competitors including Singapore Airlines, Thai International, Emirates and now Virgin Atlantic".

Virgin Atlantic commenced operating services on the Kangaroo Route via Hong Kong in December last year.

"Consumers in 2005 have more options outside the JSA for accessing points in Europe through expanded Asian carriers' route networks, increased access to European carriers at midpoints such as Singapore and the proliferation of low cost carriers providing intra Europe travel".

Mr Samuel said that the ACCC is confident that any detriment arising in the market for business passengers travelling between Australia and Europe is outweighed by benefits arising from cost savings, the availability of discount seats and schedule connections.

Media inquiries

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General inquiries

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*\*The Trade Practices Act 1974 prohibits certain forms of anti-competitive arrangements including arrangements between competitors which limit their ability to deal with whom they choose or on the terms they choose (including price) and arrangements which substantially lessen competition. The ACCC's authorisation process provides immunity from court action under the Act arising from certain anti-competitive agreements. Authorisation can only be granted where the ACCC is satisfied that the public benefit arising from the conduct outweighs any anti-competitive detriment.*