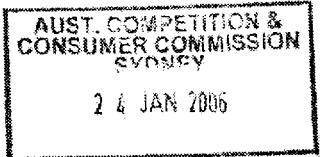


N31537



24 January 2006

General Counsel's Office
American Express
Australia Limited
175 Liverpool Street
Sydney NSW 2000 Australia
Tel: 9271 3346
Fax: 9271 2393

Mr Scott Gregson
General Manager - Adjudications
Australian Competition and Consumer Commission
Level 7, Angel Place
123 Pitt Street
Sydney NSW 2000

FILE No
DOC
MARS/PRISM

Dear Mr Gregson

Third Line Forcing Notification

American Express Australia Limited (**American Express**) and Qantas Airways Limited (**Qantas**) have agreed that American Express will launch a new set of co-brand American Express cards and American Express and Qantas cooperate in relation to the marketing of those cards, subject to the notification requirements under the Trade Practices Act 1974 referred to below.

The new set of co-brand cards will contain three different product types:

- a classic card called the **Qantas American Express Card**;
- a premium card called the **Qantas American Express Premium Card**; and
- a premium plus card called the **Qantas American Express Ultimate Card**; (together referred to as the **Co-brand Cards**).

There are a number of different product benefits that attach to the Co-brand Cards. It is arguable that some of the product benefits may technically amount to third line forcing and contravene sections 47(6) and 47(7) of the Trade Practices Act 1974 (TPA). American Express is therefore giving notice to the ACCC of the proposed conduct under s 93(1) of the TPA. Please find enclosed a completed Form G together with a cheque for \$1,000.

Set out below is some relevant background, a description of the proposed conduct and reasons why American Express and Qantas believe the ACCC should not serve a notice under s 93(3A) of the TPA.

Whilst American Express consents for the completed Form G to be placed on the Public Register, this letter contains commercially confidential information. Disclosure of that information before American Express is scheduled to launch the new Co-brand Cards could result in material financial loss and jeopardise the successful launch of the new card products. Therefore, pursuant to section 95(2) of the TPA, American Express applies for this letter to be kept confidential by the Commission and excluded from the Register kept by the Commission in accordance with s 95(1) until such time as American Express launches the Co-brand Cards. American Express anticipates launching the Co-brand Cards on or around 9 February 2006 and will advise the Commission when it has done so.

Background

American Express is always looking to improve the kinds of credit card products it offers to customers in Australia and has been working with Qantas to develop a more attractive consumer credit card product which also promotes loyalty and brand recognition for both American Express and Qantas. The result is the Co-brand Cards.

One of the key features of the Co-brand Cards is that they are "direct earn" cards, allowing cardholders to earn Qantas Frequent Flyer (QFF) points directly in the QFF program (ie. cardholders do not have to actively redeem other "rewards" points for conversion to QFF points).

Notified Conduct

As mentioned above, there are a number of different product benefits that attach to the Co-brand Cards. Four of the benefits involve a joint marketing initiative between Qantas and American Express whereby American Express offers to provide:

- Co-brand cardholders with 2,500 QFF points when the cardholder makes a purchase from Qantas on Qantas services for the first time using their card;
- Co-brand cardholders with an additional QFF point for every dollar spent using their card for purchases with Qantas on Qantas services;
- Qantas American Express Ultimate cardholders with one return economy flight on Qantas each year after the cardholder uses their card to make a purchase from Qantas on Qantas services for the first time that year; and
- Qantas American Express Premium cardholders with two Qantas Club entry passes after the cardholder uses their card to make a purchase from Qantas on Qantas services for the first time that year.

Competition Assessment

Relevant Market

The only market likely to be affected by the notified conduct is the market for the provision of payment card services in Australia.

No Detriment

The market for the provision of payment card services in Australia is highly competitive. Customers have a significant number of product options available to them, including charge and credit cards provided by Diners Club and American Express, and credit and debt cards offered by all financial institutions on the Visa, Bankcard or MasterCard networks.

Payment card issuers compete in relation to a broad range of product dimensions, including:

- card fees;
- interest rates;
- interest free periods;
- transaction fees;
- member services; and
- reward programs.

Consequently, there are a large number of competitive offers available to the public in respect of payment card services at any given time. The notified conduct is pro-competitive as it will assist American Express in offering a different and competitive credit card product in a market that is widely recognised as being highly competitive.

Net Benefit

The notified conduct also offers significant benefits to Co-brand cardholders by giving them the opportunity to obtain a benefit from American Express, and from Qantas, if they intend to purchase services from Qantas.

Conclusion

For the reasons set out above, the Commission should not serve a notice under section 93(3A) of the TPA in respect of this notification.

If the Commission has any questions about this matter, please do not hesitate to contact us.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Shauna Wong".

Colm Lorigan / Shauna Wong
Group Counsel / Manager