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Australian Government
International Air Services Commission

Ms Isabelle Arnaud
Australian Competition and Consumer Commission
GPO Box 1199
DICKSON ACT 2602

Dear Ms Arnaud

QANTAS AND AIR NEW ZEALAND APPLICATIONS FOR AUTHORISATION

Thank you for your letter of 19 April 2006 inviting submissions about the applications for authorisation made to the ACCC by Qantas and Air New Zealand concerning their Tasman Networks Agreement. As you know, the IASC's approach in submissions to previous ACCC cases involving aviation authorisation applications has been to not comment on the merits of authorisation or otherwise of particular proposals. However, there are a number of general points the IASC wishes to convey to you.

The outcome of the ACCC's deliberations will be relevant to the IASC's future consideration of any application to it by Qantas to enter into joint services arrangements with Air New Zealand. The IASC does not expect to receive an application from Qantas unless and until the ACCC authorises the conduct proposed in the airlines' applications to the ACCC.

As you know, the IASC must consider joint services applications in accordance with the *International Air Services Commission Act 1992* and the public benefit criteria set out in the Minister's Policy Statement. The latest Policy Statement, issued in May 2004, includes the Minister's expectation that the IASC would generally approve applications to code share consistent with opportunities available under the relevant air services arrangements. However, where the IASC has serious concerns about the impact on competition of a particular proposal it may subject the proposal to detailed evaluation. In doing so, it must consult with the ACCC. This requirement is consistent with the terms of Memorandum of Understanding between the ACCC and the IASC which requires the IASC to take into account the outcome of any prior examination of issues by the ACCC.

The IASC will therefore take careful account of the ACCC's assessment of the arrangements now sought by Qantas and Air New Zealand when considering any application to the IASC to use allocated capacity in joint services. The IASC has adopted this approach on previous occasions where similar circumstances have prevailed. In those cases, the IASC has approved applications on terms consistent

with those of ACCC authorisations. This has provided consistency in decision-making for carriers in such cases where approvals from both the ACCC and the IASC are required for joint services to be conducted. Nevertheless, the requirement for the IASC to consider applications in terms of the public benefit criteria contained within its Act mean that the IASC's conclusions in those previous cases involving ACCC authorisations cannot be taken to infer a particular outcome in respect of any future application to operate joint services on the New Zealand route.

Should you have any queries or for future correspondence, my email address is michael.bird@dotars.gov.au. My phone number is 02 6267 1107.

Yours sincerely

A handwritten signature in black ink that reads "Michael Bird". The signature is written in a cursive style with a distinct loop at the end of the last name.

Michael Bird
Executive Director

15 May 2006