

Our Ref: MHT.RAD 350165
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Piper Alderman

27 April 2007

CONFIRMATION OF EMAIL

Ms Isabelle Arnaud
Director
Adjudication
Australian Competition & Consumer Commission
PO Box 1199
Dickson ACT 2602

Dear Ms Arnaud

AUTHORISATION APPLICATIONS A91036-A91040

SUPPLEMENTARY INFORMATION – I

By a letter dated 4 April 2007, the Australian Competition and Consumer Commission requested further information in respect of the above applications. We are instructed to reply as follows:

Request for information 1:

We note that the two arrangements appear to have different requirements relating to the sharing of unpublished fares. The Corporate Plus Agreement Legal Guidelines (at page 4) provides for the sharing of information relating to published and unpublished fares, whereas the Guidelines for the Star Alliance Conventions Plus Program only provides for the sharing of information relating to published fares (at page 6). Could you please explain the reasons for this apparent difference, and the circumstances which require the sharing of information relating to unpublished fares for the Corporate Plus Program, and the benefits that flow from this additional sharing of information.

Clarification:

We assume you are referring to the second sentence of paragraph "C" on page 4.

The reference to "unpublished fares" is not to some pre-determined fares that the carriers have chosen to keep unpublished for competitive reasons.

In the industry, there are "published fares", which are filed and commissionable fares and which are generally available through the normal distribution channels such as global distribution systems, airline offices, and internet websites. All other fares are called "unpublished fares", which are net fares i.e. no commission is generally payable by the carrier. "Unpublished fares" may or may not be available or known to the public. There are 'unpublished' (or net) fares that a carrier might offer to the general market. Most agents in the market are able to access these 'general market' fares. There are also special net fares that are

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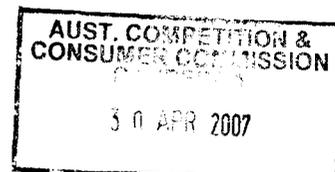
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agreed between a carrier and a company under a corporate agreement, or between a carrier and a travel agent or consolidator. The special net fares available to one company, travel agent or consolidator would not necessarily be available to another.

“Unpublished fares”, in the context of the request for information above, however, refers to fares that the carriers participating in a joint bid would construct and offer for the purposes of that specific joint bid only. To the extent that it refers to “unpublished fares” this is only by virtue of their previous non-existence. These unpublished fares are used solely for the construction of corporate net fares that have been requested by the prospective customer in the manner referred to in Section II, paragraph D. *The Corporate Plus Agreement Legal Guidelines* will be amended to reflect this in due course.

To the extent that any unpublished fares **not** in the foregoing context may be disclosed by an individual Star Alliance carrier, namely fares in an existing bilateral corporate agreement, any disclosure will be strictly subject to the provisions of confidentiality of that bilateral agreement (or equivalent non-disclosure agreement), and to the consent of the corporate customer as a strict prerequisite.

Under the Conventions Plus Program, no disclosure of unpublished fares in any form is necessary. Its use of the discounts system ensures competition in the base reference fares among the participating carriers.

Benefits:

The benefits from the sharing of information concerning unpublished fares are therefore the same as the benefits from sharing published fares, as summarised in paragraphs 3.1.3, 3.1.4, 11.1, 11.4 and 11.7 of the Submission in support of the applications for authorization.

Request for information 2:

In addition, we would appreciate if you could explain how this would operate if a request for a proposal came from a corporation that was an existing client of a Star Alliance member. For example, would the member be obliged to share information regarding its current agreement with the corporation in order to participate in any potential joint bid?

Clarification:

There may be circumstances when information regarding a current bilateral agreement between a member and a customer may be shared for the purposes of developing the joint bid. Any disclosure, however, will always be subject either to the confidentiality provisions of the bilateral agreement or an equivalent non-disclosure agreement. Accordingly, consent of the customer will be required prior to any disclosure but the member is not obliged to share the information.

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Request for information 3:

The arrangements also appear to have different provisions for access to information by the lead airline. The Corporate Plus Agreement Legal Guidelines (at page 8) provide for the lead carrier to have access to full reports for the corporation, whereas the Guidelines for the Star Alliance Conventions Plus Program (at page 9) provide for the lead carrier only having access to its own information and aggregated information. Could you please explain the reasons for this apparent difference, and the circumstances which require the lead airline to have access to these reports for the operation of the Corporate Plus Program, and the benefits that flow from this access to this information.

Clarification:

We assume you are referring to the first sentence of paragraph "B" under the heading "IV Tracking Performance and Revenue Accounting".

Access by the lead airline in Corporate Plus to the full reports is only intended for proper account management purposes. The underlying management obligations of the lead airlines in the Corporate Plus Program and the Conventions Plus Program are different. The Corporate Plus Program is target-driven and, consequently, the lead airline is expected to operate a centralized account management system, and to liaise with the corporate customer and travel agents to conduct performance reviews. Accordingly, in addition to its own data and aggregated data, the lead airline will have access to the data of other participating carriers.

Participating carriers are entitled to see disaggregated data during preparatory meetings between the participating carriers in advance of performance review meetings with the corporate customer or travel agents, subject always to consent of the relevant parties, as set out in the Section IV, paragraph E.

Benefits:

The principal benefits of permitting the lead airline in Corporate Plus to have access to the full reports and thus disaggregated data of the participating carriers is to ensure proper and accurate account management with the corporate customer and travel agents (including performance reviews), and to streamline revenue management processes.

Yours faithfully
Piper Alderman

Per:

A handwritten signature in black ink, appearing to read "Richard Davis".

Richard Davis
Partner