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Your Ref:



3 May 2007

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

Dear Ms Arnaud

AUTHORISATION APPLICATIONS A91036-A91040

SUPPLEMENTARY INFORMATION IN REPLY TO INTERESTED PARTY SUBMISSIONS

By a letter dated 20 April 2007, the Australian Competition and Consumer Commission advised that submissions in relation to the above applications had been received from the Australian Federation of Travel Agents (AFTA) and the South Australian Tourism Commission (SATC).

We note SATC supports the applications.

We are instructed to respond to the submission of AFTA dated 13 April 2007 as follows:

General

1. AFTA opposes the applications on the basis that it believes the anti-competitive detriment of the Corporate Plus and Conventions Plus programs (the "Programs") outweighs any public benefit from the Programs. Alternatively, AFTA requests that the authorisations be subject to the conditions set out in its letter of 13 April 2007 to the Commission if the Commission proposes to authorize the Programs.
2. AFTA refers to and adopts its submission in respect of the original applications for authorisation for the Programs in 2002 (the "2002 Submission"). AFTA has not, however, submitted evidence to demonstrate that its concerns set out in the 2002 Submission resulted in anti-competitive detriments (if any) that outweighed the acknowledged benefits of the Programs to-date. Indeed, AFTA conceded that the Programs will have public benefit (paragraph 7.1 of 2002 Submission).
3. AFTA expressed a concern (in the 2002 Submission) that if the Programs were authorised, then there would be similar applications forthcoming from other alliances or airlines acting jointly. This has not occurred in the 5 years since.

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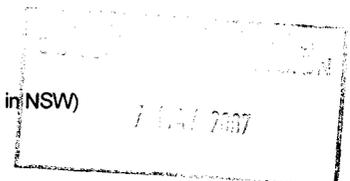
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4. The submission of AFTA, referring to the 2002 Submission, is based on a number of incorrect assumptions. The key responses of the Star Alliance to the 2002 Submission, which are reiterated here, were that:
 - 4.1. the Programs had not been designed to remove the source of remuneration for travel agents;
 - 4.2. the Programs were not intended to exclude travel agents as fares under the Programs would be made available for ticketing through travel agents; and
 - 4.3. the Programs would not reinforce direct sales by airlines.
5. Indeed, in its determination of the original applications for authorisation of the Programs (4 September 2003), the Commission recognized (in respect of the Conventions Plus program) that "...in the absence of a Star Alliance member with an established distribution network operating in the sale of air travel market in Australia... Travel agents will play a significant role in booking flights." (paras. 10.28-10.29)

Authorisation Subject to Conditions

6. Paragraph 1(i): The Conventions Plus program has been designed for organizers of conventions and includes features which are only relevant to organizers of such conventions such as ticketing support and promotional items. Only professional convention organizers acting on behalf of a company or association may submit a request for proposal.
7. Paragraph 1(ii): Travel agents may be appointed by a company or association to manage travel arrangements relating to a convention. These travel agents will have access to the convention code, fares and their associated rules through the global distributions systems (GDSs). However, the convention code will not be publicly listed in the GDSs. Therefore, travel agents who have not been appointed to manage convention-related travel will have to be provided with the convention code by the delegate and thereafter to contact the lead airline for the applicable fare. This is intended to minimize misuse of the convention fares and fraud.
8. With respect to remuneration, local market conditions will apply.
9. Paragraph 2(i): It is a matter for the corporate clients to decide whether they wish to appoint an agent or agents to manage or process the travel arrangements under the terms of the Corporate Plus agreement and, if so, on what terms including terms on remuneration for the agent or agents. Local market conditions will apply in such cases.
10. Paragraph 2(ii): The Corporate Plus program has been designed for corporate clients to request for a joint bid proposal. As stated above, however, corporate clients may appoint one or more travel agents to manage their travel arrangements and, if so, on what terms.
11. Time limit for acceptance: Once the request for proposal has been made, and the convention organizer or corporate client has agreed to receive a joint bid, a letter of offer is sent by the lead carrier to the organizer or client requiring acceptance of the joint bid proposal within 60 or 90 days depending on the date of the event or proposed commencement of the corporate agreement. Since, in practice, it is the convention organizer or corporate client who typically requests proposals, in the event that it fails to respond within any deadline imposed by the letter of offer, it remains open to them to request further proposals and thereby extend the deadline for acceptance. In the

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circumstances, any time limit for acceptance of a joint bid proposal should be determined according to market forces.

Term of Authorisation

12. The Star Alliance members recognize that the international air transport market is undergoing changes. By the same token, however, these changes will drive the content of any joint proposal in a way that is responsive to the market conditions in order to remain competitive.
13. Under the Corporate Plus program, corporate clients have been, and are increasingly, issuing requests for proposals covering a three year period, typically with a provision to review the commercial terms at least once a year.
14. To ensure the benefits of the Program can be realized, the term of the authorisation should not be less than five years.

Yours faithfully,
Piper Alderman

Per:

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

Richard Davis
Partner