



Australian Government
International Air Services Commission

Mr Darrell Channing
Director
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 1199
DICKSON ACT 2602

Dear Mr Channing

**QANTAS AND BRITISH AIRWAYS – APPLICATION FOR REVOCATION AND
SUBSTITUTION A91195 AND A91196**

Thank you for your letter of 30 October 2009 inviting comments on the application for re-authorisation from Qantas and British Airways of the Restated Joint Services Agreement and related co-ordination of schedules and pricing. The International Air Services Commission (IASC) appreciates the invitation to comment.

As you know, Australian carriers cannot use capacity allocated to them by the IASC in joint services without approval from the IASC. The IASC considers 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 of May 2004. The Minister's expectation is that the IASC would generally approve applications for joint services arrangements consistent with opportunities available under the relevant air services arrangements. However, where the IASC has serious concerns that a code share or other joint service proposal may not be of benefit to the public, it may subject the proposal to detailed evaluation and must consult with the ACCC before doing so. The IASC must also take account of any relevant determinations or decisions made by the ACCC.

Qantas is currently authorised under Determination [2006] IASC 105 to use its allocation of unlimited capacity and frequency on the Australia – United Kingdom route to provide services jointly with British Airways. It must do so in accordance with the code share agreement between the two carriers. A further condition is that Qantas may only price and market its services or share or pool revenues/profits on the route jointly with British Airways as long as such practices are authorised under the Trade Practices Act 1974 or otherwise authorised by the Australian Competition Tribunal, in the event of review by that Tribunal. Qantas must also take all reasonable steps to ensure that passengers are informed of the carrier actually operating the flight at the time of booking. The duration of the Determination is for ten years ending on 31 August 2016. The Commission invites carriers to seek renewal of determinations well ahead of their expiry.

As the IASC has already authorised the joint services arrangements, no action will be required from it following the ACCC decision on the application currently before it, unless the ACCC decides not to re-authorise the arrangements.

The IASC notes that the arrangements have been in place for a considerable number of years now, and the routes between Australia and UK/Europe appear to continue to be strongly competitive. The emergence and expansion over recent years of middle-eastern carriers (primarily Emirates, but more recently Etihad and, shortly, Qatar Airways), serving Australia - UK/Europe routes over the Middle East, has contributed significantly to ensuring continued competition for Qantas and British Airways in those markets. The Australia - UK/Europe routes also continue to be served by a number of Asian-based airlines via their home countries, such as Singapore Airlines, Cathay Pacific, Malaysian Airlines and Philippine Airlines, among others. Virgin Atlantic also operates to Australia and several other European airlines, such as Air France, Lufthansa, Alitalia and Iberia maintain a market presence through code sharing.

Should you have any queries, my email address is michael.bird@infrastructure.gov.au. My phone number is 02 6267 1107.

Yours sincerely



Michael Bird
Executive Director

1 December 2009