



22 December 2009

Public Version

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Dear Dr Chadwick

Qantas Airways Limited and British Airways plc – Revocation and Substitution – A91195/6

We refer to the email dated 13 November 2009 from Teresa Nowak, Assistant Director, setting out a number of areas where the Commission would appreciate further information/clarification.

This letter contains commercially confidential information. Disclosure of that information could result in material financial loss to Qantas. Therefore, pursuant to section 89(5) of the *Trade Practices Act 1974 (TPA)*, Qantas applies for this letter to be kept confidential by the Commission and excluded from the Register in accordance with s 89(5A) of the TPA. A public version of this letter will be made available for placement on the Public Register.

Code Share Arrangements

1. Please provide details of Qantas' code share services to European destinations. Please include details of commencement and nature of the code share.

The Commission has requested details of the codeshare arrangements that Qantas has to Europe. This section provides by way of background:

- a summary of the different types of codeshare arrangements entered into by airlines;
- details of the codeshare arrangements Qantas has to Europe;
- details of the arrangement between Qantas and BA whereby Qantas passengers operating on JSA services receive preferential access to BA inventory on flights between London and other UK/European cities; and
- an explanation of why the Applicants would not be able to achieve the benefits claimed under the JSA if they simply used stand-alone codeshare arrangements.

Codesharing refers to the practice where a flight operated by one airline (eg Singapore Airlines) is jointly marketed as a flight for one or more other airlines (eg Lufthansa). Most major airlines today have codesharing arrangements with other airlines and codesharing is a key feature of the major global airline alliances (Star, **oneworld** and SkyTeam).

Under a codesharing agreement, participating airlines place their code on another airlines' flight. This is done for several reasons, including:

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- offering service to offline markets – allowing an airline which does not operate its own aircraft on a specific route to market that route by displaying its flight designator on an service operated by a codeshare partner; and
- connecting flights – providing clearer schedules for the customer – allowing a customer to book travel from point A to C through point B under one carrier's code, instead of a customer booking from point A to B under one airline code and from point B to C under another airline code. This is a benefit to consumers as codesharing airlines strive to make transfers between connecting codeshare flights less time-consuming.

Codesharing is a useful marketing tool which allows a carrier (the marketing carrier) to increase its flight frequencies or extend its “virtual” network of destinations without having to actually operate those flights.

Prior to being able to place its code on another carrier’s flight, the marketing carrier must first have the necessary air traffic rights and co-operative marketing provisions (under the relevant Air Services Agreement or ASA). In other words, in order to codeshare on another airline’s flight, the marketing carrier must have (a) the relevant route and traffic rights and (b) the codeshare facility that allows it to market seats to the particular destination.

Without approval from competition regulators, codesharing cannot involve any form of co-ordination or co-operation in terms of pricing or capacity.

What does a Codeshare Agreement Involve?

An airline will enter into a codeshare with another airline on a particular route in order to extend or maintain its network or increase frequencies on that route. Airlines generally enter into codeshares on routes which are low-volume or non-viable for the airline to justify operating its own services.

For example, an airline will enter into a codeshare arrangement when:

1. demand to a particular destination is not sufficient to warrant an airline operating its own services, but the airline wants to be able to extend the virtual network of destinations that it can sell to customers. For example, in 1996 Qantas entered into a codeshare with Asiana Airlines for services between Australia and Seoul since Qantas did not have sufficient demand to support its own services on those routes;
2. demand to a particular destination is not sufficient to warrant that airline operating its own direct services (particularly with the aircraft type available), but the airline wants to be able to offer “add on” services that allow passengers to connect onto flights to a wider range of end-destinations. For example, Qantas operates its own aircraft to Los Angeles, San Francisco and New York and has codeshare agreements with American Airlines under which Qantas codeshares on certain American Airlines flights within the USA. This allows Qantas to sell a ticket from Sydney to a significant range of destinations in the USA (via Los Angeles, San Francisco or New York); and
3. restrictions under bilateral ASAs between countries or slot constraints at relevant airports restrict the number of flights that an airline may operate on particular routes, which may affect an airline’s ability to develop a sufficiently attractive schedule and make the route viable. For example, the ASA between Australia and France limits the number of services that could be operated by an Australian carrier to or from France to three services a week. Three services a week was not sufficient to allow Qantas to develop a viable and competitive service. As such, Qantas decided to withdraw its flights from Australia to France and subsequently entered a codeshare agreement with Air France to carry passengers connecting at Singapore to Air France’s daily Singapore-Paris service.

Qantas also notes that codesharing on overlapping routes (ie. routes operated by both airlines) can raise considerable competition concern and must be structured very carefully to avoid breaching competition laws or require approval from competition regulators.

Codesharing arrangements are generally categorised as either “free sale” codeshares (also known as marketing codeshares) or “block space” codeshares.

Free-Sale (Marketing) Codeshares

A free-sale codeshare agreement is one where the marketing carrier has access to the operating airline’s seat inventory system for the codeshare flight and is able to sell seats from available inventory in the agreed codeshare inventory “bucket”. The marketing carrier can only sell a seat under its code if that seat is made available in the relevant inventory “bucket” by the operating carrier. Absent antitrust immunity, when selling the seats to passengers, the operating and marketing carriers must price those seats entirely independent of each other.

From a systems perspective, the operating carrier owns and controls the full inventory of seats on the aircraft. As such, only the operating carrier can determine seat availability by opening, closing or shifting inventory (ie the number of seats available for sale in the agreed codeshare “bucket”).

The codeshare agreement will document the types of seats the marketing carrier may sell and the amount the marketing carrier must pay to the operating carrier for those seats or the commission the marketing carrier earns on the sale of the codeshare seat.

All Qantas’ codeshare arrangements on air services to European destinations operate as freesale codeshares. Further details are provided below.

Block Space Codeshares

Under a block space codeshare arrangement, the operating airline sells a block of its seats on a given flight to another airline (the marketing airline). The marketing carrier then assumes sole responsibility for its block of seats and puts the block into its own reservations/inventory system as if it operates a virtual aircraft with that number of seats. Therefore, the marketing carrier and the operating carrier will each operate their own, independent inventories for the same aircraft. From an inventory management perspective, it is almost as though two smaller aircraft are flying instead of one large aircraft.

Unlike a free-sale codeshare, the marketing carrier freely manages and sells its block of seats and assumes all financial risk for any seats in its block that are unsold. A block space codeshare, absent anti-trust approval, does not permit agreements on pricing or restricting capacity. In fact, the block space codeshare partners compete with each other in the marketing of their individual inventories as though both were operating separate aircraft.

The codeshare between Qantas and South African Airways on Qantas’ Sydney to Johannesburg services is an example of a block space codeshare. Under this arrangement, South African purchases a block of seats on each of Qantas’ flights between Sydney and Johannesburg and South African pays Qantas a set price for that block of seats. South African then sells tickets for those seats under the SA code (ie, flight SA7701). South African competes on this route with Qantas as, even if it does not sell all of its seats in the block, it must still pay for the seats.

Qantas also has a blockspace codeshare with Deutsche Bahn Rail which is a rail service between Frankfurt and other German cities. Under this agreement Qantas purchases a fixed number of seats from Deutsche Bahn at a fixed price and sells those seats at prices determined by Qantas to passengers booking as part of a JSA itinerary.

Qantas’ Codeshare Services to European Destinations

The tables below contain details of the codeshare arrangements Qantas has on services between each of London Heathrow and Frankfurt and other intra UK or European destinations (**Intra European Codeshares**).

British Airways Operated Flights – to/from Heathrow

Port	Port	Commenced	Type
MAN	Manchester	Jul-97	Freesale
EDI	Edinburgh	Jul-97	Freesale
GLA	Glasgow	Jul-97	Freesale
ABZ	Aberdeen	Jul-97	Freesale
CDG	Paris (Charles de Gaulle)	Jul-97	Freesale
AMS	Amsterdam	Jul-97	Freesale
VIE	Vienna	Jul-97	Freesale
ARN	Stockholm	Jul-99	Freesale
CPH	Copenhagen	Jul-99	Freesale
OSL	Oslo	Jul-99	Freesale
HAM	Hamburg	Oct-99	Freesale

Port	Port	Commenced	Type
TXL	Berlin	Oct-99	Freesale
NCL	Newcastle	Jul-00	Freesale
MUC	Munich	Sep-00	Freesale
DUS	Düsseldorf	Sep-00	Freesale
FRA	Frankfurt	Sep-00	Freesale
LYS	Lyon	Dec-01	Freesale
NCE	Nice	Dec-01	Freesale
GVA	Geneva	Mar-03	Freesale
ZRH	Zurich	Mar-08	Freesale
BCN	Barcelona	Mar-08	Freesale
MAD	Madrid	Mar-08	Freesale

These services can only be sold on Qantas code if they form part of a longer JSA itinerary. The revenue arrangements in relation to these services are outlined in the response to Question 2 below.

Qantas and BA are also exploring extending their existing codeshare relationship [**Restriction of Publication of Part claimed**].

British Airways Operated Flights – to/from Heathrow - **Proposed**

[**Restriction of Publication of Part claimed**]

Iberia Operated Flights – to/from Frankfurt

Port	Port	Commenced	Type
MAD	Madrid	Jul-09	Freesale

Malev Hungarian Airlines Operated – to / from Frankfurt

Port	Port	Commenced	Type
BUD	Budapest	Apr-07	Freesale

Intra Germany - RAILDeutsche Bahn Rail Operated – to / from Frankfurt

Port	Port	Commenced	Type
CGN	Cologne	May-07	Block Space
DUS	Düsseldorf	May-07	Block Space
HAN	Hannover	May-07	Block Space
HAM	Hamburg	May-07	Block Space
MUC	Munich	May-07	Block Space
NUE	Nuremberg	May-07	Block Space
STR	Stuttgart	May-07	Block Space

Qantas also has codeshare arrangements with a number of carriers from various mid-points in Asia to European destinations other than London Heathrow or Frankfurt (**Asia to Europe Codeshares**).

Asia to Europe - AIRAir France Operated – to / from Singapore

Port	Port	Commenced	Type
CDG	Paris (Charles de Gaulle)	Oct-04	Freesale

Air France Operated – to / from Hong Kong

Port	Port	Commenced	Type
CDG	Paris (Charles de Gaulle)	May-07	Freesale

Cathay Pacific Operated – to / from Hong Kong

Port	Port	Commenced	Type
FCO	Rome	Sep-03	Freesale

2. Does Qantas' revenue from the codeshare services flow into the JSA?

The JSA provides for Qantas and BA (and their related bodies corporate) to co-operate on any routes worldwide. However, the Benefit Transfer Model agreed between the parties applies to a narrower scope of routes. These currently include:

Flight Number	Routing
QF1 / QF2	Sydney - Bangkok - London
QF5 / QF6	Sydney - Singapore - Frankfurt
QF9 / QF10	Melbourne - Singapore - London
QF29 / QF30	Melbourne - Hong Kong - London
QF51 / QF52	Brisbane - Singapore
QF71 / QF72	Perth - Singapore
QF77 / QF78	Perth - Singapore
QF81 / QF82	Adelaide - Singapore
BA9 / BA10	London - Bangkok - Sydney
BA11 / BA12	London - Singapore
BA15 / BA16	London - Singapore - Sydney

Where a sale is made by Qantas or BA for a journey that involves more than the sectors identified above, only the portion of revenue referable to the sectors above will flow to the JSA Benefit Sharing Model. This applies equally to revenue which Qantas or BA obtains from selling a codeshare flight. For example, in the case of an Asia to Europe codeshare, if Qantas sells a Perth-Singapore-Paris journey this involves the following sectors:

- Perth – Singapore (QF code, Qantas operated) connecting to:
- Singapore – Paris (QF code, Air France operated).

Only that amount of revenue attributable (or in industry terms, pro-rated) to the Perth – Singapore portion of the journey will flow into the JSA Benefit Sharing Model. Singapore – Paris pro-rated revenue would be separately apportioned between Qantas and Air France and the amount of revenue obtained by Qantas for this sector would not flow into the JSA Benefit Sharing Model.

Using an example of a JSA itinerary that also involves an intra European codeshare sector, such as:

- Sydney – London (QF code, BA operated) connecting to:
- London – Düsseldorf (QF code, BA operated)

only the pro-rated revenue allocated to the Sydney – London portion of the journey will flow into the JSA Benefit Transfer Model. London – Düsseldorf revenue would be apportioned between Qantas and BA according to the Codeshare Agreement between the parties.

It is important to note that although the BA intra European Codeshares with Qantas do not form part of the JSA Benefit Transfer Model they form part of the commercial arrangements between Qantas and BA where BA agrees to give JSA passengers preferential access to BA inventory on intra European flights. As set out below, these benefits are explicitly tied to the JSA and are only available to be sold to passengers with a JSA itinerary.

Set out below are the range of destinations where BA gives preferential access to passengers travelling as part of a JSA itinerary:

British Airways Operated Flights – to/from Heathrow

[Restriction of Publication of Part claimed]

As the Commission will note, some of these destinations can be accessed using the Qantas code.

Where a passenger is travelling as part of a JSA itinerary to London or Frankfurt, BA has varied its usual fare requirements to allow passengers to combine their JSA sector with an intra European sector even if the JSA itinerary uses a lower inventory category (for example 'D' class which is a more restricted business class fare) and the intra European BA operated sector only has a higher inventory category available (for example 'J' class which is a less restricted business class fare type).¹

The benefit of allowing this type of fare combinability is that Qantas and BA can each sell lower priced fares into Europe than would otherwise be the case. JSA passengers benefit from the arrangements as they can access inventory which would otherwise not be available at peak times - irrespective of whether they are travelling on JSA services to London or Frankfurt as a Qantas or BA passenger.

BA would not have the incentive to make available the same level of inventory for intra European services without the JSA. The JSA itself provides the incentive for BA to make available this preferred intra European access as the financial model behind the JSA means that BA and Qantas are indifferent to whether passengers are carried to London or Frankfurt on BA or Qantas operated JSA flights.

3. How many passengers flying from Australia in 2008/09 flew to these destinations using the code share services in comparison to the number of passengers using the JSA flights operated by Qantas and/or BA?

There are only two cities in Europe where Qantas passengers have the choice of travelling on JSA services via London or travelling under the Qantas code on another carrier's service from Asia to Europe. These are Paris and Rome.

For example, a Qantas passenger travelling from Australia to Paris could travel on:

- a Qantas or BA operated JSA service from Australia to London with an onward connection to a BA operated London to Paris service;
- a Qantas or BA operated JSA service from Australia to Singapore with an onward connection to an Air France operated Singapore to Paris service; or
- a Qantas service from Australia to Hong Kong with an onward connection to an Air France operated Hong Kong to Paris service.

In the case of a Qantas passenger travelling from Australia to Rome, their travel options could be:

- a Qantas or BA operated JSA service from Australia to London with an onward connection to a BA operated London to Rome service; or
- a Qantas service from Australia to Hong Kong with an onward connection to a Cathay Pacific operated Hong Kong to Rome service.

As the Commission will be aware, Qantas used to operate its own services into both Rome and Paris but withdrew these services in September 2003 and October 2004 respectively. Since that time Australian passengers have continued to demand a suitable one stop service to both Rome and Paris. Qantas met this demand by negotiating separate codeshare options outside of its existing relationship with BA.

In the financial year 2008/09, the following Qantas passenger numbers (in and out) were recorded for destination Paris and Rome:

¹ A different approach is adopted with other carriers. For example, a Cathay Pacific 'D' class itinerary from Sydney to Glasgow would not receive such favourable treatment. Instead, the Cathay Pacific itinerary would need to use a BA 'D' class fare from London to Glasgow and if that class was not available, the entire journey fare would need to be upgraded.

Destination	via London Heathrow	via Asia
Paris (Charles de Gaulle)		
Rome	[Restriction of Publication of Part claimed]	
Other European Cities using BA services ²		

As can be seen from the volume of JSA passengers that connect at London Heathrow to other BA services as part of a wider JSA itinerary, Qantas continues to rely heavily on its JSA relationship with BA to service other European destinations via London and Frankfurt in a coordinated and effective way. This relationship delivers real and significant public benefits to Australian consumers that are simply not available outside of the JSA relationship. This is because BA has a greater financial incentive under the JSA to make inventory available to those JSA passengers who wish to connect to those intra European destinations at peak times. In this way the JSA continues to benefit Australian consumers who chose to travel via London or Frankfurt.

Competition on the Kangaroo Route has naturally led to competing carriers, particularly those with mid-point hubs, offering a wide range of alternative options for travel to particular European destinations. This does not detract from the significant public benefit attached to the options that are uniquely available under the JSA. Further explanation is provided in response to question 9.

Capacity

The applicants' responses to Questions 4 – 6 in relation to capacity issues are set out below. In this context, the applicants wish to reinforce that the scale and value of the public benefits articulated in the original submission are not necessarily linked to how capacity on the JSA routes is physically delivered as between Qantas and BA. Decisions in this regard are taken with a view to the overall efficiency and efficacy of JSA operations.

By way of example, one of the most valuable benefits associated with the JSA is that it provides Qantas with a comprehensive sales presence in the UK to promote travel to Australia and Asia, which Qantas simply could not replicate on its own (and likewise for BA in Australia). This arrangement is critical for route density and the broader availability of schedule options, and results in significant value to Australia. The extent of the public benefits are not tied in any way to whether a Qantas or BA plane is ultimately delivering the seats sold or the relative capacity operated by the parties.

4. The submission notes that **[Restriction of Publication of Part claimed]. How does this correlate with the projections set out in Appendix C?**

On 23 November 2009, Qantas announced as part of its Investor's presentation³ that it would be reviewing the number of first and business class seats across its long-haul fleet. As part of this review, senior executives at Qantas had already commenced preparatory analytical work to assess the amount of premium capacity that Qantas expected to be deployed on key routes such as to the United Kingdom and Europe in the next three years and to enable management to make a recommendation to the Qantas Board about the Qantas future international cabin configuration.

Whilst this analysis was taking place independently of the application for revocation and substitution, it provided a contemporaneous record of Qantas' expectations about the amount of premium capacity coming onto the Kangaroo Route in the next three years. The results of the analysis were reproduced in Annexure C of the parties' submission.

[Restriction of Publication of Part claimed].

The reason Annexure C does not reflect this **[Restriction of Publication of Part claimed]** is because the original analytical work did not take this into account. Qantas was aware of this

² This includes those destinations where BA gives preferential inventory access to passengers travelling as part of a JSA itinerary, excluding the volume of passengers travelling to Paris or Rome via London Heathrow.

³ A copy of the investor presentation is available at <http://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=QAN&timeframe=Y&year=2009>

inconsistency at the time of lodging the application for revocation and substitution but wanted to preserve the integrity of this independent forward looking analysis.

Qantas submits that Annexure C should still be given a high degree of weight by the Commission for the following reasons:

- the assumptions in the model reflect the business judgement of senior Qantas executives who were tasked with providing future projections about the level of competitor activity on JSA routes in the short to medium term;
- this information has been used by Qantas Executive Management and Board to assess Qantas' long term international cabin configuration;
- whilst the model ignores Qantas' and BA's capacity reductions in NW09 & NS10 it aims to represent core average weekly schedules, for the sake of simplicity and clarity;
- from observation, based on BITRE data, individual carrier capacity into/out of Australia varies significantly from month to month within a season. Therefore actual season average capacity may differ from core scheduled capacity;
- the model's approach is not unique to the JSA capacity share model but is also used extensively for Qantas' in-house analyses;
- the approach was used consistently across all market participants in the model; and
- **[Restriction of Publication of Part claimed]** we have been conservative and potentially understate the likely amount of JSA capacity in the future, but maintain the integrity of the model itself.

5. Please provide details of capacity changes on the JSA routes made by Qantas and BA in terms of flights and available seats (by all classes of travel): (i) made since the application for authorisation of the Restated JSA lodged on 6 May 2003; and (ii) planned to be made up until NS10.

This information is contained in Attachment 1.

6. To what extent is BA committed to continue offering 14 B747-400 services per week on the JSA route over the next 5 years?

Since 2007, BA has operated 21 roundtrip services on JSA routes as follows:

- BA 15/16 - a daily service between SYD-SIN-LHR using a 777 aircraft;
- BA 9/10 - a daily service between SYD-BKK-LHR using a 747-400 aircraft; and
- BA 11/12 - a daily service between LHR-SIN using a 747-400 aircraft.

As a result of GFC, BA made the following changes in NW09:

- BA 15/16 was retained as a daily service between SYD-SIN-LHR but was upgraded to a 747-400 aircraft and a number of ad hoc cancellations were made; and
- a number of ad hoc cancellations were also made to the BA 11/12 service.

From NS10, BA intends to return to operating its normal JSA services.

BA's decisions to alter capacity on a route are based on the route's performance compared to revenue, cost and operational feasibility. At this stage, BA does not expect to reduce the amount of B747-400 services it operates however this remains subject to the following factors:

- continuation of the economic recovery;
- no substantial further increases in competitor activity;
- **[Restriction of Publication of Part claimed]**;
- no further substantial increases in fuel cost; and
- major profitability shifts on the remainder of the BA long-haul network, given that the allocation of aircraft is optimised at a network level.

BA expects to receive the first of the B787 aircraft which it has ordered in 2012/2013 and delivery of its A380 capacity from 2013. These additional aircraft will grow BA's total fleet as well as replace some B747-400 capacity. In the short term this change in fleet is unlikely to drive a change in aircraft allocation on the JSA routes.

Re-configuration and Cabin Seating

7. Please provide information on the approximate costs and timeframes associated with cabin reconfiguration for aircraft on the JSA route to (i) accommodate premium economy seating; (ii) change economy seating to business seating, and business seating to economy seating.

As set out above, Qantas is in the process of determining the cabin configuration of its future long haul fleet. [Restriction of Publication of Part claimed].

[Restriction of Publication of Part claimed].

Previously, Qantas spent close to \$20 million to introduce a premium economy cabin on 14 of its B747-400 aircraft. On all of these 14 aircraft, the re-fit involved:

- removing 60 economy cabin seats; and
- installing 32 premium economy cabin seats.

In this case the change was able to be incorporated into the existing scheduled heavy maintenance checks plus a total of 20 additional days ground time. The initial embodiment program was planned to commence in January 2008 and complete by August 2008. The actual completion date was January 2009.

Qantas expects that any stand-alone change to reconfigure a similar number of economy seats to business seats or vice-versa would have similar anticipated costs and time-frames.

8. To what extent has Qantas sold first, business or premium economy class seats as economy seats?

Our submission dated 16 October 2009 indicates at page 25 that from the period July 2009 to January 2010 Qantas suspended selling first class on some international routes and instead sold those seats as business class. A similar practice was replicated in other cabins/zones to derive cost savings where premium cabin demand has decreased.

Practically, this has involved adjusting the amount of available selling capacity in each of the economy, premium economy and business class cabins on a B747-400 four class aircraft as follows:

Cabin Type	Fixed Seat Capacity	Virtual Capacity Phase 1	% Change of Phase 1 on Fixed Seats	Virtual Capacity Phase 2	% Change of Phase 2 on Fixed Seats
Economy	255	287	+13%	255	Nil
Premium Economy	32	28	-13%	32	Nil
Business	52	38	-27%	66	+27%
First	14	Nil	-100%	Nil	-100%

This means that in the first phase Qantas increased the amount of economy seats available for sale and actively upgraded a number of passengers by one cabin type on the day of departure. In the second phase, Qantas increased its selling capacity of business class seats. Both phases involved suspending the sale of first class. It is not correct however to say that Qantas has sold first, business or premium economy class seats as economy seats.

Hubs

9. To what extent has the substantial increase in mid-point carriers providing one stop access to many points in Europe impacted on the connectivity benefit of Heathrow?

Mid point carriers have the geographic advantage of operating a network of direct services connecting most major Australian ports to the mid point carrier's home port. These Australian services then connect to other direct services to most cities in Europe. In this way, mid point carriers provide one stop access to many destinations in Europe.

Qantas and BA are end point carriers. Qantas and BA can also operate one stop services into Europe but it is not viable for both carriers to operate services into as many European destinations as is viable for a mid-point carrier. Instead, JSA passengers can access a broader range of European destinations by travelling on BA services via London or Frankfurt.

It is true that the substantial increase in mid-point carrier capacity has broadened the range of one stop options available to Australian passengers. However, this increased choice does not diminish the benefits of the JSA for passengers who chose to travel via London or Frankfurt. In this way, the continuation of the JSA offers further choice for Australian passengers.

10. To what extent would Qantas be likely to operate the Singapore hub under the counterfactual assuming that BA withdraws from the route?

Under the JSA, Qantas and BA have the ability to co-ordinate their schedules and fares and to operate effectively as a single carrier on routes between Australia and Europe. By combining their operations in this manner, Qantas and BA have been able to reduce the disadvantages they face in competing with mid-point carriers on these routes. This is because the JSA has allowed the Qantas and BA to:

- increase the number of direct, one-stop origin/destination services offered between Australia and Europe and improve connection times for those services in competition with mid-point carriers;
- sell both Qantas and BA flights without preference, thereby increasing the passenger feed that each carrier receives at the mid-point for the second-leg flights; and
- develop a sales presence in Singapore that each carrier could not have justified on its own.

Each of these factors has allowed Qantas and BA to increase the total number of passengers travelling on their flights between Australia and Europe via Singapore. They have also allowed the carriers to improve capacity management and aircraft utilisation on all flights to and from Singapore, thereby improving the viability of their joint Australia to Europe services.

If BA were to withdraw from the route in the counterfactual, Qantas would continue to operate the Singapore hub, though likely on a reduced scale. Capacity from Singapore to Perth, Brisbane and Adelaide would be reviewed and an assessment would be made as to whether it was profit maximising to downgrade the aircraft operating on these routes and/or potentially reduce frequency. Qantas would also have to review the amount of through flights it operated on the Australia to Europe route if it did not have the JSA with BA.

If you have any questions please do not hesitate to contact Brett Johnson or myself on +61 2 9691 5799.

Yours sincerely



Jill Henderson
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QANTAS

ROUTE	SEASON	A/C	FIRST	BUSINESS	PREMIUM ECONOMY	ECONOMY	COMMENT
PERLIN QP51/52 DAILY	NS03	B744	-	44	-	350	
	NS03	B744	-	52	-	370	
	NS04	B743	-	52	-	370	
	NS04	B743	-	52	-	370	
	NS05	A333	-	30	-	267	A333 INTRO
	NS05	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS08	A333	-	30	-	267	
	NS09	A333	-	30	-	267	
NS10	A333	-	30	-	267		
PERLIN QP71/72 DAILY	NS03	B744/B767	-	66/25	-	366/204	
	NS03	B744/B767	-	66/25	-	366/204	
	NS04	B744/B767	-	66/25	-	366/204	
	NS04	B744/B767	14/0	50/25	-	315/204	
	NS05	B744/B767	14/0	50/25	-	315/204	
	NS05	B744/A333	14/0	50/30	-	315/267	A333 INTRO
	NS06	B744/A333	14/0	50/30	-	315/267	A333 INTRO
	NS06	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS08	A333	-	30	-	267	
NS09	A333	-	30	-	267		
NS10	A333	-	30	-	267		
PERLIN QP77/78 DAILY	NS03	B763	-	25	-	204	
	NS03	B763	-	25	-	204	
	NS04	B763	-	25	-	204	
	NS04	B763	-	25	-	204	
	NS05	A333	-	30	-	267	A333 INTRO
	NS05	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS08	A333	-	30	-	267	
NS09	A333	-	30	-	267		
NS10	A333	-	30	-	267		
ADLSIN QP91/92 3/WEEK	NS03	B763	-	25	-	204	
	NS03	B763	-	25	-	204	
	NS04	B763	-	25	-	204	
	NS04	B763	-	25	-	204	
	NS05	A333	-	30	-	267	A333 INTRO
	NS05	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS08	A333	-	30	-	267	
NS09	A333	-	30	-	267		
NS10	A333	-	30	-	267		
ADLSIN QP91/92 3/WEEK	NS03	B763	-	25	-	204	
	NS03	B763	-	25	-	204	
	NS04	B763	-	25	-	204	
	NS04	B763	-	25	-	204	
	NS05	A333	-	30	-	267	A333 INTRO
	NS05	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS06	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS07	A333	-	30	-	267	
	NS08	A333	-	30	-	267	
NS09	A333	-	30	-	267		
NS10	A333	-	30	-	267		
CHDRWLN QP155/154 DAILY	NS03	-	-	-	-	-	
	NS03	-	-	-	-	-	
	NS04	-	-	-	-	-	
	NS04	-	-	-	-	-	
	NS05	-	-	-	-	-	
	NS05	-	-	-	-	-	
	NS06	B763	-	25	-	204	START 01JUL06, END 26OCT06
	NS06	-	-	-	-	-	
	NS07	-	-	-	-	-	
	NS07	-	-	-	-	-	
	NS08	-	-	-	-	-	
NS08	-	-	-	-	-		
NS09	-	-	-	-	-		
NS09	-	-	-	-	-		
NS10	-	-	-	-	-		

ROUTE	SEASON	A/C	FIRST	BUSINESS	PREMIUM ECONOMY	ECONOMY	COMMENT
HYDIN QP31/32 DAILY	NS03	B744	-	66	-	366	
	NS03	B744	-	66	-	366	
	NS04	B744	-	66	-	366	
	NS04	B744	-	66	-	366	
	NS05	B744	-	66	-	366	
	NS05	B744	-	66	-	366	
	NS06	B744	-	56	-	356	SKYBRD INTRO
	NS06	B744	-	56	-	356	
	NS07	B744	-	56	-	356	
	NS07	B744	-	56	-	356	
	NS08	B744	-	56	-	356	
NS09	B744	-	56	-	356		
NS10	B744	-	56	-	356		
HYDIN QP31/32 DAILY	NS03	B744	14	65	-	315	
	NS03	B744	14	65	-	315	
	NS04	B744	14	50	-	315	SKYBRD INTRO
	NS04	B744	14	50	-	315	
	NS05	B744	14	50	-	315	
	NS05	B744	14	50	-	315	
	NS06	B744	14	50	-	315	
	NS06	B744	14	50	-	315	
	NS07	B744	14	50	-	315	
	NS07	B744	14	50	-	315	
	NS08	B744	14	52	32	255	PREMIUM ECONOMY INTRO
NS09	B744	14	52	32	255		
NS09	A380	14	72	32	332	A380 INTRO	
NS10	A380	14	72	32	332		
MELIN QP9/10 DAILY	NS03	B744	14	65	-	315	
	NS03	B744	14	65	-	315	
	NS04	B744	14	50	-	315	SKYBRD INTRO
	NS04	B744	14	50	-	315	
	NS05	B744	14	50	-	315	
	NS05	B744	14	50	-	315	
	NS06	B744	14	50	-	315	
	NS06	B744	14	50	-	315	
	NS07	B744	14	50	-	315	
	NS07	B744	14	50	-	315	
	NS08	B744	14	52	32	255	PREMIUM ECONOMY INTRO
NS09	B744	14	52	32	255		
NS09	A380	14	72	32	332	A380 INTRO	
NS10	A380	14	72	32	332		
HYDIN QP9/10 DAILY	NS03	B744	14	65	-	315	
	NS03	B744	14	65	-	315	
	NS04	B744	14	50	-	315	SKYBRD INTRO
	NS04	B744	14	50	-	315	
	NS05	B744	14	50	-	315	
	NS05	B744	14	50	-	315	
	NS06	B744	14	50	-	315	
	NS06	B744	14	50	-	315	
	NS07	B744	14	50	-	315	
	NS07	B744	14	50	-	315	
	NS08	B744	14	52	32	255	PREMIUM ECONOMY INTRO
NS09	B744	14	52	32	255		
NS09	A380	14	72	32	332	A380 INTRO	
NS10	A380	14	72	32	332		
MELIN QP29/30 DAILY	NS03	B744	-	-	-	-	
	NS03	B744	-	-	-	-	
	NS04	B744	-	-	-	-	
	NS04	B744	-	-	-	-	
	NS05	B744	-	-	-	-	
	NS05	B744	-	-	-	-	
	NS06	B744	-	-	-	-	
	NS06	B744	-	-	-	-	
	NS07	B744	-	-	-	-	
	NS07	B744	-	-	-	-	
	NS08	B744	-	-	-	-	
NS08	B744	-	-	-	-		
NS09	B744	-	-	-	-		
NS09	B744	-	-	-	-		
NS10	B744	-	-	-	-		
NS10	B744	-	-	-	-		
MELIN QP29/30 DAILY	NS03	B744	14	70	30	185	
	NS03	B744	14	70	30	185	
	NS04	B744	14	70	30	185	
	NS04	B744	14	70	30	185	
	NS05	B744	14	38	36	263	
	NS05	B744	14	38	36	263	
	NS06	B744	14	70	30	185	
	NS06	B777	13	48	32	127	SERVICE CHANGES TO B777
	NS07	B777	13	48	32	127	
	NS07	B777	13	48	32	127	
	NS08	B777	13	48	32	127	
NS08	B777	13	48	32	127		
NS09	B777	13	48	32	127		
NS09	B777	13	48	32	127		
NS10	B744/B744	14/14	70/52	30/36	177/235	B744 WITH REDUCED FRQ.	
NS10	B777	14	48	32	127	B777 WITH REDUCED FRQ.	
MELIN BA17/18 DAILY	NS03	B744	14	38	36	263	
	NS03	B744	14	38	36	263	
	NS04	B744	14	38	36	263	
	NS04	B744	14	38	36	263	
	NS05	B744	14	38	36	263	
	NS05	B744	14	38	36	263	
	NS06	B744	-	-	-	-	SERVICE CHANGES
	NS06	B744	-	-	-	-	
	NS07	B744	-	-	-	-	
	NS07	B744	-	-	-	-	
	NS08	B744	-	-	-	-	
NS08	B744	-	-	-	-		
NS09	B744	-	-	-	-		
NS09	B744	-	-	-	-		
NS10	B744	-	-	-	-		
NS10	B744	-	-	-	-		
HYDIN BA9/10 DAILY	NS03	B744	14	38	36	263	
	NS03	B744	14	38	36	263	
	NS04	B744	14	38	36	263	
	NS04	B744	14	38	36	263	
	NS05	B744	14	38	36	263	
	NS05	B744	14	38	36	263	
	NS06	B744	14	38	36	263	
	NS06	B744/B744	14/14	70/52	30/36	177/263	
	NS07	B744	14	52	36	235	
	NS07	B744/B744	14/14	70/52	30/36	177/235	
	NS08	B744	14	52	36	235	
NS08	B744	14	52	36	235		