

General Counsel
Brett Johnson



2 June 2011

Dr Richard Chadwick
General Manager
Adjudication Branch
Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601
Email: richard.chadwick@accc.gov.au

By Email

Dear Dr Chadwick

Qantas Airways Limited & American Airlines Inc. - Applications for authorisation A91265 & A91266

We refer to the submission provided by Virgin Australia on 27 May 2011 in relation to the application for interim authorisation made by Qantas Airways Limited (**Qantas**) and American Airlines (**AA**) (together the **Applicants**) pursuant to section 91(2) of the *Competition and Consumer Act 2010*.

As outlined in the Applicants' submission dated 11 May 2011, the Applicants seek interim authorisation for the Proposed Joint Business Agreement (**Proposed JBA**) to ensure the successful launch of Qantas' new services to Dallas/Fort Worth and provide a platform for expansion to daily flights.

In its submission Virgin Australia acknowledges that integrated alliances can bring significant benefits to passengers and airlines and poses three questions in relation to the application for interim authorisation.

The Applicants respond to the questions raised by Virgin Australia below.

Commercial imperatives still applicable

Qantas commenced operating services to Dallas/Fort Worth on 16 May 2011. The start of flights in no way diminishes the commercial imperatives for seeking interim authorisation. The critical launch period for a new service is not limited to the months before the initial flight, but just as importantly, extends into the subsequent months of operating the fledgling service. While Qantas and AA have been independently promoting and selling these services over the last few months, the ability to undertake a coordinated sales and marketing campaign in both Australia and the United States is necessary to generate the sustained level of demand required to ensure the success of the new service from each point of sale.

Continuation of services absent interim authorisation

Qantas is committed to providing comprehensive Trans-Pacific services and offering Australian consumers unprecedented access to destinations across the United States. Accordingly, Qantas would seek to continue the new Dallas/Fort Worth services even if it did not obtain interim authorisation for the Proposed JBA. However, without the ability to cooperate, the current frequency of these services may not be sustainable and expansion to daily services which is important for many travellers would be unlikely. In addition, the enhanced connectivity, lower fares and new fare products envisaged under the Proposed JBA would not be available to passengers.

Qantas Airways Limited

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Unwinding the Proposed JBA

Since AA does not operate on the Trans-Pacific routes, unwinding the Proposed JBA would present little difficulty if final authorisation is not granted.

We reiterate the Applicants' request for interim authorisation so they can begin to jointly sell and promote the Dallas/Fort Worth service as soon as possible.

If you have any further questions regarding this matter or would like to arrange a meeting to discuss our response, please telephone me or Anna Pritchard, Head of Legal - Competition on (02) 9691 5515.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brett Johnson', with a long horizontal flourish extending to the right.

Brett Johnson
General Counsel