

3 June 2011



Dr Richard Chadwick
General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

adjudication@accc.gov.au

Dear Dr Chadwick

Thank you for your letter dated 17 May 2011 concerning the applications for authorisation received by the Australian Competition and Consumer Commission (ACCC) from Qantas Airways Limited and American Airlines Inc. (Nos A91265 and A91266).

The applications seek ACCC authorisation for a Joint Business Agreement (JBA) under which the applicants would coordinate operations on services between Australia/New Zealand and the United States (the Trans Pacific Routes) and on extensive Qantas and American Airlines services which support the Trans-Pacific Routes.

As the airport-lessee company for Sydney Airport, Sydney Airport Corporation Limited (SACL) supports the proposed JBA and therefore supports the granting of the necessary authorisations by the ACCC.

Before granting an authorisation, the *Competition and Consumer Act 2010* requires the ACCC to be satisfied in all the circumstances that the proposed agreements would result, or be likely to result, in a public benefit which outweighs the likely public detriment constituted by any lessening of competition. It has been previously held by the Australian Competition Tribunal that the term "public benefit" should be given its widest possible meaning and, in particular, it should include "...anything of value to the community generally, any contribution to the aims pursued by society including as one of its principal elements ... the achievement of the economic goals of efficiency and progress...".

With this in mind, SACL believes the proposed JBA will, if approved by the ACCC, result in a number of public benefits. These benefits will be seen across the broader economy and in the Australian tourism industry. More specifically, airline passengers will benefit from an improvement in their travel experience.

Sydney Airport is Australia's major gateway to the world. Servicing 45 airlines and with 43% of all Australia's international airline passengers arriving in Sydney, it is also our nation's busiest airport. In 2010, Sydney Airport saw 35.6 million passengers pass through its terminals, accommodated around 309,000 aircraft movements and handled 656,000 tonnes of air freight. Of those 35.6 million passengers, just under one third or 11.3 million were international passengers.

**Sydney Airport
Corporation Limited**
ABN 62 082 578 809

Locked Bag 5000
Sydney International
Airport NSW 2020
The Ulm Building
1 Link Road
Sydney International
Airport NSW 2020
Australia

Telephone:
61 2 9667 9111
[www.sydneyairport.com](http://www.sydneyairport.com.au)

As outlined in the approved *Master Plan 2009*, aviation activity at Sydney Airport is forecast to grow over the next 20 years. Specifically:

- passengers are forecast to grow by 4.2% per year to 78.9 million in 2029 (including growth in international passengers to 29.6 million by 2029);
- aircraft movements are forecast to grow by 2% per year to 427,400 in 2029 (including growth in international aircraft movements to 102,000 by 2029); and
- air freight is forecast to increase by 3.8% per year to 1,077,000 tonnes in 2029.

The significant and growing level of aviation activity at Sydney Airport underpins Sydney Airport's role as a major employer and economic driver in Sydney, thus making it an employer and economic driver of state and national importance. For example, Sydney Airport today makes a direct contribution of \$8 billion to NSW Gross State Product. With flow-on impacts taken into account, the airport's economic contribution increases to \$16.5 billion and is forecast to rise to more than \$27 billion by 2015/16. This is equivalent to 6% of the NSW economy and 2% of the Australian economy. This substantial economic contribution translates into well paid jobs. It is estimated that Sydney Airport provides or generates more than 75,000 jobs directly and about 131,000 jobs indirectly, making a total of around 206,000 jobs. As a result of the forecast growth in the airport's economic contribution, the total number of jobs provided or generated by Sydney Airport is expected to rise to more than 338,000 by 2015/16.

Once tourism-related activity is included, aviation's contribution to the economy and employment increases further still. For example, in 2008/09, tourism across Australia delivered:

- \$32.9 billion to Australia's Gross Domestic Product (2.8% of GDP);
- 486,200 people directly employed (4.5% of national employment); and
- \$23.5 billion exports (8.3% of national exports).

As a key driver of our national economy, international aviation supports Australian tourism, business and trade. It follows, therefore, that growth in international aviation services will support growth in Australian tourism, business and trade. Under the proposed JBA, SACL notes that the following benefits have been identified by the applicants:

- the introduction of new services into American Airlines' hub at Dallas/Fort Worth;
- the ability to promote Australia using an integrated sales and distribution network drawing on the expertise of Qantas and American Airlines in their respective home countries; and
- the opportunity to utilise the award winning tour operator, AAVacations, to actively promote Australia as a holiday destination to residents of the United States.

These benefits will help to support and, more importantly, increase Australian tourism, business and trade. In SACL's view, the resulting increased economic activity presents a clear public benefit.