

UNSW



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Dr. Richard Chadwick
General Manager, Adjudication
Enforcement and Compliance Division
Australian Competition and Consumer Commission
GPO Box 3131
Canberra, ACT 2601



Dear Dr Chadwick

Re: Qantas Airways Limited & Jetstar Airways Pty Ltd - Authorisation - A91314 & A91315

I have read the Qantas/Jetstar submission today, and while there is no apparent call for public submissions, I would like to make comment with particular reference to Section 7 of the attachment that refers to Public Benefits. I encourage the Commission to authorise the Qantas/Jetstar application.

Aviation in the Asia-Pacific region remains more heavily bound by regulation than the European or Trans-Atlantic markets. Beyond the early steps towards an open ASEAN aviation framework, the industry in the region is notable for its fragmentation and reliance on bilateral market access structures dating back to the Chicago Convention of 1944. One response to this has been the establishment of franchised carriers throughout the region by Low Cost Carrier (LCC) ventures.

Air Asia led the way with the establishment of franchised ventures in Thailand and Indonesia that have allowed that company to establish a powerful point to point route structure throughout Southeast Asia and from Southeast to Northeast Asia. Singapore Airlines-linked Tiger Airways and Scoot are following the same path of trans-border expansion by leveraging a strong umbrella brand. The expansion of this business model continues with Tiger's investments in the Philippines and Indonesia, and Air Asia's recent expansion into Japan.

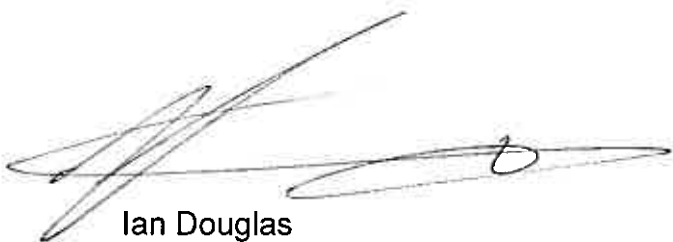
Qantas and its Jetstar subsidiary have taken steps to build a line of franchised regional operators along the coast of East Asia from Tokyo to Singapore. These franchises link effectively to the Australian-based Qantas and Jetstar longhaul networks, and offer arguably the best (perhaps the only) viable strategic posture for the Qantas group as it faces the rapid growth of state-owned carriers in both the Gulf region and China.

In this competitive context, and given the extremely remote prospect of broad liberalisation or of major cross-border mergers occurring in the Asia-Pacific region in the foreseeable future, I concur with the Qantas-Jetstar view expressed in Point 7.4. A Pan-Asia strategy (for any carrier group) would be unlikely to succeed against the region's major competitive airline clusters without the opportunity to co-ordinate and integrate the group's operations.

That this issue is even under consideration is a testament to the obsolete and anachronistic ownership structures that linger in the airline industry. Few other global industries require companies to create a web of minority-controlled subsidiaries and franchises for what would otherwise be organic growth into nearby international markets.

I urge the Commission to authorise Qantas –Jetstar to co-ordinate the activities of their franchises in the manner proposed in the submission.

Yours faithfully,



Ian Douglas

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