

Head of Legal – Competition
Anna Pritchard



15 November 2012

Mr Mark Basile
Adjudication Branch
Australian Competition & Consumer Commission
23 Marcus Clarke Street
CANBERRA ACT 2601

By email: mark.basile@accc.gov.au

Dear Mark

Qantas Airways Limited and Jetstar Airways Pty Ltd – Authorisation Applications A91314 & A91315

We refer to your email of 13 November 2012.

We attach a **confidential** response to your request for further information. We also attach a public version of our response (with confidential information redacted) to be placed on the Commission's public register.

Yours sincerely

Anna Pritchard
Head of Legal – Competition

**RESPONSES TO THE COMMISSION'S REQUEST FOR
FURTHER INFORMATION DATED 13 NOVEMBER 2012**

1. How do you propose to quarantine Australian consumers?

The Applicants note that a requirement to quarantine Australian consumers is clearly sub-optimal both commercially and from the perspective of Australian price conscious consumers and it is something we have not contemplated in detail. However, if the Commission does not authorise the Proposed Conduct then the Applicants will not terminate the Jetstar Pan-Asia Strategy, rather, they will take the necessary steps to ensure that Australian consumers cannot purchase the relevant services. The Applicants would look to implement measures including:

- using existing geolocation software to identify users with Australian IP addresses. For those users with Australian IP addresses, the Jetstar website will not make available the relevant services for purchase;
- modifying current systems where possible so that the relevant services will not be available via telephone reservations, airport sales or through travel agents for sales in Australia;
- note clearly on its website that Australian consumers are, as a result of regulatory restrictions, not permitted to purchase the relevant services;
- communicating with travel agents and other relevant travel industry stakeholders to advise that the relevant services are not available for sale to Australian consumers; and
- investigating whether it may be possible to block consumers with debit/credit card issued by an Australian entity from purchasing the relevant services.

2. How will this apply in the air cargo market?

[REDACTED - COMMERCIAL IN CONFIDENCE]

3. Under the Proposed Conduct, Jetstar Japan and JAL will engage in coordination. You note in the counterfactual that Australia consumers will not be able to access the services of Jetstar Japan that are the subject of coordination. Please indicate whether Australian consumers will be able to access the JAL services that are the subject of coordination in the counterfactual.

The Qantas/Jetstar Group have no control over the action of JAL.

If the Proposed Conduct is not authorised by the Commission, we assume that Australian consumers will still be able to purchase JAL services that are the subject of coordination between JAL and Jetstar Japan and codeshare services on Jetstar Japan (all conduct occurring outside Australia) in the same way that Australian consumers are currently able to purchase tickets for services which are the subject of coordination between other international airline competitors and for which no authorisation has been sought from the Commission. Examples include trans-Atlantic services which are the subject of coordination between British Airways and American Airways and trans-Pacific services which are the subject of coordination between JAL and American Airlines.

4. Under the proposed conduct, Jetstar Hong Kong and CEA will engage in coordination. You note in the counterfactual that Australian consumers will not be able to access the services of Jetstar Hong Kong that are the subject of coordination. Please indicate whether Australian consumers will be able to access the CEA services that are the subject of coordination in the counterfactual.

The Qantas/Jetstar Group have no control over the action of CEA.

If the Proposed Conduct is not authorised by the Commission, we assume that Australian consumers will still be able to purchase those CEA services that are the subject of coordination between CEA and Jetstar Hong Kong and codeshare services on Jetstar Hong Kong (all conduct occurring outside Australia).

5. Please provide your estimate of the number of Australian passengers expected to utilise the services of each Jetstar JV (or aggregate for all Jetstar JVs) per annum. Please also report as a percentage of expected total passengers of each Jetstar JV (or aggregate for all Jetstar JVs) per annum.

The Jetstar Pan-Asia Strategy was developed on the basis that the Proposed Conduct would be accessible by all consumers. There has been no specific analysis the number of Australian consumers expected to travel on each Jetstar joint venture carrier each year. By FY2015, all of the Jetstar joint venture carriers will be operating and will have established a brand presence in Asia. Using current ABS data and applying the historic growth rate, the Applicants estimate that by FY2015 Australians will undertake as many as six million journeys from Australia to Asia. While some will not necessarily choose air travel within Asia or seek to travel on a Jetstar joint venture carrier service, these figures suggest the potential for a large number of Australian consumers (particularly those wishing to travel on low cost airlines) to be affected by the loss of opportunity to purchase the relevant Jetstar joint venture carrier services.