

Head of Legal - Competition
Anna Pritchard



12 April 2013

Dr Richard Chadwick
General Manager, Adjudication Branch
Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

email: richard.chadwick@acc.gov.au

Dear Richard

Qantas Group Submission in relation to Virgin Australia and Air New Zealand Applications for Authorisation A91362 and A91363

We refer to applications lodged by Virgin Australia and Air New Zealand (**the Applicants**) seeking re-authorisation of their Tasman alliance and to correspondence from the Australian Competition and Consumer Commission (**Commission**) on 18 March 2013 inviting comment from interested parties.

The Qantas Group broadly agrees that airline alliances are pro-competitive and deliver consumer benefits by enabling carriers to offer extended networks and services that would otherwise not be possible. We also support claims by the Applicants that the Tasman routes are characterised by excess capacity and competitive market behaviours and agree that conditions requiring the maintenance of minimum capacity levels can produce unintended consumer detriments through operational inefficiencies and costs.

Some further brief comments are set out below.

As per its usual process, we understand that the Commission will thoroughly test the various claims of public benefit made by the Applicants. In particular, we urge the Commission to test whether certain benefits claimed by the Applicants – such as the up-gauging of Virgin Australia's Perth-Auckland service – have arisen as a result of the Alliance or would have materialised anyway due to demand patterns.

Importantly, the Applicants' assertion that the benefits of their alliance are 'not finely balanced' and that therefore they ought not be subject to an ongoing condition requiring the maintenance of minimum levels of capacity is fanciful and unsupported in circumstances where the degree of overlap between carriers is much greater than that involved in the Qantas-Emirates partnership and the alliance involves the carriers having monopoly operations on several routes including Brisbane-Dunedin, Brisbane-Wellington, Auckland-Cairns, Adelaide-Auckland and Perth-Auckland. In contrast, the Qantas-Emirates partnership does not result in Qantas, Jetstar or Emirates being the sole operator on any route.

Please contact me on (02) 9691 5515 if you would like to discuss this letter.

Yours sincerely

A handwritten signature in cursive script, appearing to read "A Pritchard".

Anna Pritchard
Head of Legal - Competition

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