



17 January 2013

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

Attention: **Dr Richard Chadwick, General Manager**
 Mr Mark Basile

By email: richard.chadwick@acc.gov.au
 mark.basile@acc.gov.au

Dear Richard

Qantas Airways Limited and Jetstar Airways Pty Ltd
Authorisation Numbers A91314 & A91315

I refer to your letter of 14 December 2012 and the Commission's draft determination in respect of the above applications.

The Applicants welcome the Commission's draft determination. This letter responds to and uses terms as defined in the draft determination. This letter does not contain confidential information and can be placed on the public register.

The proposed conduct contributes to the claimed cost savings and efficiencies

The Applicants welcome the Commission's comments at paragraph 155 of the draft determination that "the establishment of the joint ventures and Jetstar Airways supporting role in these businesses ... has given rise to many of the efficiencies claimed by the applicants."

The Commission however has stated that it is unclear whether the proposed conduct, namely, coordination under the JVCA, FSA/related JV coordination and multiple overlap coordination, contributes to those cost savings and efficiencies. The Commission has invited the Applicants to make further submissions on this issue.

The Applicants consider that the proposed conduct is essential and indispensable to achieving the claimed cost savings and efficiencies. This is because, while the establishment of the joint ventures and the operation of each of the BSAs enable each Jetstar joint venture airline to operate pursuant to the Jetstar Group's low cost base model, the proposed conduct ensures that **all of the Jetstar joint venture airlines together** can achieve the scale that is necessary to generate those cost savings and efficiencies.

Firstly, coordination under the JVCA is essential to realising the claimed cost savings and efficiencies because it will enable the Jetstar joint ventures to:

- (a) combine complementary assets to achieve a higher utilisation of fixed costs and to optimise allocation of production;

- (b) eliminate duplication through common pricing and network management, a single marketing platform, centralised ticketing and unified operational systems (including IT services and ground handling); and
- (c) achieve economies of scale through schedule optimisation, joint negotiation with service providers and bulk purchasing, increased managerial efficiency and specialisation, sharing facilities, assets and expertise and unifying operational systems.

These heads of efficiencies cannot be solely attributed to Jetstar Airways' supporting role in these businesses pursuant to the BSAs because each BSA operates as an individual vertical relationship and the efficiencies can only be derived and consolidated through "horizontal" coordination across Jetstar joint ventures.

Further, some operational aspects of coordination are likely to take place between Jetstar joint venture airlines without the involvement of Jetstar Airways. For instance, if any two Jetstar joint venture airlines commence operating to a new destination and airport, they may potentially at some point in the future seek to coordinate on ground handling and airport services.

For these reasons, coordination under the JVCA materially contributes to the claimed cost savings and efficiencies.

Secondly, FSA/related JV coordination is also necessary to achieve the cost savings and efficiencies because without that coordination, the relevant Jetstar joint venture airline would not be established in the first place — that is, without such coordination, the local FSA partner would not have the economic incentive to invest in or establish the Jetstar joint venture if it were not able to integrate the joint venture's functions into its own operations. In light of this, FSA/related JV coordination materially contributes to the claimed cost savings and efficiencies.

Thirdly, as multiple overlap coordination is a combination of coordination under the JVCA and FSA/related JV coordination, this contributes to the claimed cost savings and efficiencies for the reasons above.

If the Jetstar joint ventures could not engage in the proposed conduct, each Jetstar joint venture (even with the services of the BSA Provider) would have a significantly reduced ability to:

- (a) achieve the scale necessary to obtain lower costs across the entire spectrum of operations including in relation to airport and ground handling services and the acquisition of aircraft themselves;
- (b) optimise schedules to increase connectivity and itinerary options for passengers;
- (c) offer a single go-to-market approach including common advertising, promotions and distribution platforms that would provide consumers with a consistent and coordinated approach from marketing and sales to flying experience regardless of the actual airline providing the relevant service;
- (d) share facilities, expertise and assets which in turn would not reduce costs;
- (e) undertake joint purchasing and joint sales and marketing and accordingly would not receive the significant efficiencies and direct cost savings associated with such conduct;
- (f) take advantage of increased volumes in respect of airport and ground handling charges which would otherwise result in cost savings; or

- (g) avoid duplication of facilities including IT services, finance and other reporting and operational systems.

For these reasons, the proposed conduct is necessary to secure and consolidate the achievement of the cost savings and efficiencies made possible by the establishment of the joint ventures and Jetstar Airways supporting role in these businesses.

The proposed conduct will not increase the ability or incentive of FSAs to coordinate outside the scope of the authorisation

From paragraphs 181 to 193 of the draft determination, the Commission analyses the competitive effects of the proposed conduct on routes outside the scope of authorisation as between any two FSAs which overlap on such routes.

In particular, the Commission examines whether the proposed conduct increases the ability and incentive of FSAs to coordinate on these routes. At paragraph 192(a) of the draft determination, the Commission states that “FSA’s ability to coordinate may be increased as a result of their common involvement in a Jetstar joint venture airline ...”.

This mischaracterises the role of the FSA shareholders in the Jetstar Pan-Asia Strategy. As a result of its individual investment in a Jetstar joint venture airline and its role under the proposed conduct, a FSA shareholder will not:

- (a) be able to obtain increased access to information about other FSAs operating on the same route;
- (b) have additional opportunities to meet representatives of other FSAs or discuss overlapping routes with those representatives; and
- (c) otherwise have any increased ability or incentives to coordinate with another FSA on an overlapping route.

Any increased ability or incentive to coordinate would not be the result of the proposed conduct or the FSAs common involvement in the Jetstar Pan-Asia Strategy. Rather, it would directly be attributed to conduct engaged in by the relevant FSAs separate and distinct from the proposed conduct.

Notwithstanding the above, the Applicants propose, as an additional precautionary measure, to implement the ring-fencing protocols set out in Appendix E of the Applicants’ submission accompanying its applications for authorisation.

A dynamic assessment of competition on routes outside the scope of the authorisation demonstrates that such routes will become highly competitive

Third party competition

From paragraphs 184 to 191, 201 to 206 and 220 to 232 of the draft determination, the Commission examines competition provided by third parties on the relevant routes in determining whether the relevant parties are likely to be competitively constrained on those routes.

This analysis however is static as it is based on historical data. That is, the Commission does not appear to have considered the nature and extent of competition on these routes over the next 12-24 months or the proposed announcements that have been made by FSAs and LCCs in respect of these routes.

For example:

- (a) In June 2012, SilkAir commenced services on the **Singapore – Hanoi** route;¹
- (b) On 1 July 2012, Shanghai Airlines commenced services on the **Shanghai (Pudong) – Osaka (Kansai)** route;²
- (c) In September 2012, Spring Airlines was reported as having plans to operate services on the **Tokyo (Narita) – Shanghai (Pudong)** route;³
- (d) In October 2012, Spring Airlines also announced that it proposes to operate **Shanghai – Osaka (Kansai)** services from March 2013;⁴
- (e) In October 2012, Peach launched services on the **Taipei – Osaka (Kansai)** route;⁵
- (f) From mid-October 2012, JAL commenced operating larger Boeing 787-8 aircraft on services from Tokyo Haneda and **Tokyo (Narita) to Singapore**;⁶ and
- (g) In January 2013, EVA Air announced plans to deploy larger Boeing 777-300ER aircraft (replacing A330-200 aircraft) on the **Taipei – Osaka (Kansai)** route from 27 March 2013.⁷

In addition, there have been a number of other recent announcements that are likely to affect the competitive state of relevant markets in the future. For example:

- (a) In July 2012, **AirAsia Philippines** announced that it was looking to launch services to China, South Korea and Japan in the future;⁸
- (b) In August and October 2012, **AirAsia Japan** announced that it intended to focus future international operations on services to mainland China, Taiwan and the Philippines. In this respect, open skies agreements have recently been signed between Japan and Taiwan (in November 2011) and between Japan and China (in August 2012);⁹

¹ CAPA, "SilkAir to launch Singapore – Hanoi service in June 2012", 12 April 2012, available at: <http://centreforaviation.com/news/silkair-to-launch-singapore-hanoi-service-in-jun-2012-150029> (accessed 9 January 2013).

² CAPA, "Shanghai Airlines launches Zhengzhou – Shanghai Pudong – Osaka Kansai service", 2 July 2012, available at: <http://centreforaviation.com/news/shanghai-airlines-launches-zhengzhou-shanghai-pudong-osaka-kansai-service-162243> (accessed 9 January 2013).

³ CAPA, "Spring Airlines embarks on pan-Asian strategy with establishment of Japanese subsidiary", 13 September 2012, available at: <http://centreforaviation.com/analysis/spring-airlines-embarks-on-pan-asian-strategy-with-establishment-of-japanese-subsidiary-82518> (accessed 9 January 2013).

⁴ CAPA, "Spring Airlines to launch Shanghai – Osaka (Kansai) from March 2013", 23 October 2012, available at: <http://centreforaviation.com/news/spring-airlines-to-launch-shanghai-osaka-kansai-from-mar-2013-182483> (accessed 9 January 2013).

⁵ CAPA "AirAsia Japan: New LCCs in Japan expanding international flying in Japan", 12 October 2012, available at: <http://centreforaviation.com/news/airasia-japan-new-lccs-in-japan-expanding-international-flying-in-japan-180342> (accessed 9 January 2013).

⁶ CAPA, "JAL launches 787-8 Singapore services earlier than originally planned", 1 October 2012, available at: <http://centreforaviation.com/news/jal-launches-787-8-singapore-services-earlier-than-originally-planned-178078> (accessed 9 January 2013).

⁷ CAPA, "EVA Air to deploy 777-300ER aircraft on Taipei Taoyuan–Osaka Kansai sector", 2 January 2013, available at: <http://centreforaviation.com/news/eva-air-to-deploy-777-300er-aircraft-on-taipei-taoyuan-osaka-kansai-sector--197529> (accessed 9 January 2013).

⁸ CAPA, "AirAsia Philippines looking to launch services to China, South Korea and Japan", 12 July 2012, available at: <http://centreforaviation.com/news/airasia-philippines-looking-to-launch-services-to-china-south-korea-and-japan-164189> (accessed 9 January 2013).

⁹ CAPA, "AirAsia Japan prepares for South Korean services and evaluates under-served cities in China", 23 August 2012, available at: <http://centreforaviation.com/analysis/airasia-japan-prepares-for-south-korean-services-and-evaluates-under-served-cities-in-china-80909> (accessed 9 January 2013) and CAPA "AirAsia Japan: New LCCs in Japan expanding international flying in Japan", 12 October 2012, available at: <http://centreforaviation.com/news/airasia-japan-new-lccs-in-japan-expanding-international-flying-in-japan-180342> (accessed 9 January 2013).

- (c) In September 2012, **Peach** announced it proposed to launch international services to China and Vietnam¹⁰ in early 2013. Peach secured approvals for operating services to Beijing and Shanghai from ports in Japan in January 2013;¹¹
- (d) In October 2012, **Lion Air** announced plans to launch an airline in Singapore with flights to China, Japan and the rest of Asia. Lion Air also announced that it had informed the Changi Airport Group and Singapore Economic Development Board about its plans and it proposes to apply for an Aircraft Operator's Licence with the Civil Aviation Authority of Singapore in due course;¹²
- (e) In November 2012, **VietJetAir** announced plans to commence operations on routes linking Ho Chi Minh and Hanoi to major destinations in Southeast Asia and Northeast Asia in 2013;¹³ and
- (f) In December 2012, **Spring Airlines** announced that it is planning to expand services throughout North Asia including to South Korea, Taiwan and Japan.¹⁴

A dynamic, forward looking assessment of competition on the relevant routes would demonstrate that such routes will become increasingly competitive through expansion by existing carriers and entry by new carriers as evidenced in the recent examples above. This is particularly the case given the rapid growth in demand for air travel projected on many of these routes in the short to medium term, the proposal for the ASEAN members to have an open skies policy by 2015 and the expansion of the LCC model which seeks to stimulate demand through offering low prices.

Likelihood of entry

From paragraphs 188 to 191 and 225 to 227 of the draft determination, the Commission examines potential competition provided by new entrants on the relevant routes in determining whether FSAs and/or Jetstar LCCs are likely to be competitively constrained on those routes. In particular, the Commission states that the likelihood of new entry is unlikely due to the size of certain routes and the minimum efficient scale of entry.

The Commission does not appear to undertake the same assessment in respect of routes on which a FSA and unrelated Jetstar joint venture overlap.

For the reasons expressed above, new entry by LCCs on these routes is likely to occur and is likely to increase competition. In particular, LCCs can, due to their low cost base, grow the market by stimulating demand through low fares and commence services on routes which may not otherwise be economically viable for FSAs. For example, in addition to the proposed expansion plans of LCCs as set out in Appendix B of the Applicants' submission accompanying the authorisation applications, the above examples evidence the likely further expansions and new entry on relevant routes. Furthermore, the issue of barriers to entry is a dynamic one as evidenced by the changing nature of regulatory barriers to entry and expansion under Air Service Agreements between countries. In this respect, the Applicants

¹⁰ CAPA, "Peach targets 50:50 domestic to international operation by 2016", 10 September 2012, available at: <http://184.154.109.163/news/peach-targets-5050-domestic-to-international-operation-by-2016-173903> (accessed 9 January 2013).

¹¹ CAPA, "LCCs in Japan welcomed with open arms, despite the many arguments against", 4 January 2013, available at: <http://centreforaviation.com/analysis/lccs-in-japan-welcomed-with-open-arms-despite-the-many-arguments-against-93243> (accessed 9 January 2013).

¹² CAPA, "Lion Air looking to launch airlines in Singapore: president director", 16 October 2012, available at: <http://centreforaviation.com/news/lion-air-looking-to-launch-airlines-in-singapore-president-director-180942> (accessed 9 January 2013).

¹³ CAPA, "VietJetAir to launch first international service, to Bangkok, on 10 February 2013", 30 November 2012, available at: <http://centreforaviation.com/news/vietjetair-to-launch-first-international-service-to-bangkok-on-10-feb-2013-191255> (accessed 9 January 2013).

¹⁴ CAPA, "Spring Airlines considers Hong Kong venture", 3 December 2012, available at: <http://centreforaviation.com/news/spring-airlines-considers-hong-kong-venture-191351> (accessed 9 January 2013).

attach a marked-up version of Attachment E to the Commission's draft determination which reflects our understanding of the current regulatory barriers.

The proposed conduct will not result in coordinated effects on routes outside the scope of the authorisation where there is little or no third party competition nor likelihood of new entry on those routes

At paragraph 206 of the draft determination, the Commission considers that "in the future with the proposed conduct there potentially is an increased likelihood of the parties raising prices or reducing capacity on the Hanoi – Osaka route." The Applicants understand that this analysis would not necessarily be limited to the Hanoi – Osaka route if another route shared similar characteristics in the future.

This analysis appears to misunderstand the premise of the Jetstar Pan-Asia Strategy and in particular, the Jetstar business model. That model requires the Jetstar Group to achieve and maintain a low cost base by generating efficiencies and savings through the economies of scale realised by coordination. This in turn allows the Jetstar joint venture airlines to stimulate demand by offering low fares.

The economic viability of the Jetstar joint venture airlines business model is firmly based upon this model. That is, pursuant to that model, the Jetstar joint venture airlines have no economic incentive to increase price or reduce capacity on any route regardless of the level of competition on the route. Rather, the Jetstar Group's profitability is driven by growing demand through everyday low fares and capturing that growth.

For this reason, even if there were no actual or potential third party competitors on a particular route to an incumbent FSA and Jetstar joint venture airlines, there would be no economic incentive on the part of the Jetstar entities to raise price and reduce capacity given it would be entirely inconsistent with the business model pursuant to which they were established. Accordingly, the FSA operator would need to ensure that it remained competitive with the LCCs on the route.

Paragraph 24 of the draft determination

For the sake of clarity, the Applicants consider that paragraph should read:

"The proposed multiple overlap coordination does not include revenue sharing on overlap routes with the FSA shareholder, but does include revenue sharing as between the two Jetstar LCCs as noted in paragraph 14 above".

Further information

Please let me know whether the Commission requires any further information before making its final determination in respect of the Applicants' authorisation applications.

Yours sincerely



Anna Pritchard
Head of Legal – Competition

Attachment E: Regulatory barriers to entry and Expansion

Singapore

1. Australia has an open skies Air Service Agreement with Singapore. Australian and Singaporean designated airlines are able to determine their own capacity and frequencies, subject to acquiring acceptable landing slots at relevant airports. Singapore and Australia both have liberal air service agreements with other Asian countries, which allow entry on Australia-Singapore routes by third country carriers such as Etihad, Qatar, and the Chinese carriers.
2. The ACCC understands that there are not significant impediments to acquiring airport slots at Singapore airport.

Vietnam

3. Under the Air Service Agreement between Australia and Vietnam, the following ~~capacity~~ is available to designated carriers of each country:
 - a. ~~248~~ frequencies weekly in total for passenger services with any aircraft type to and from Sydney, Melbourne (including Avalon), Brisbane and Perth.
 - b. unrestricted capacity, frequency and aircraft type to and from all points in Australia other than Sydney, Melbourne (including Avalon), Brisbane and Perth; and
 - c. In addition to the capacity entitlements above, seven (7) services per week in total maybe operated between points in Vietnam and Sydney, Melbourne (including Avalon), Brisbane and Perth, provided that such services operate via or beyond to a point in Australia that is not Sydney, Melbourne (including Avalon), Brisbane and Perth.
 - d. Fifth-freedom traffic rights for combination passenger/cargo services are exercisable at certain intermediate and beyond points. In exercising these traffic rights, designated airlines of Australia are restricted to fourteen (14) weekly frequencies per beyond or intermediate point. There are some exceptions to this frequency limitation.
 - e. A designated airline of Australia may enter into code sharing arrangements, as the marketing and/or operating airline, with another Australian airline or airlines, with a Vietnamese airline or airlines or with an airline or airlines of a third country.
 - f. A designated airline of Australia may cCode share ~~services~~ on domestic flights within the territory of Vietnam as part of a through international journey are limited to a maximum of fourteen (14) weekly frequencies per domestic sector (city pair).

4. Vietnam Airlines currently operates 14 frequencies per week to major gateways out of 28 available to Vietnamese carriers (in addition there are a further seven frequencies available to major gateways if triangulated with a regional gateway). There is also unrestricted access for Vietnamese carriers to regional gateways.
5. Australian airlines are permitted to operate 28 frequencies for passenger services from major gateways to Vietnam. Currently, 4 frequencies are allocated to ~~the Qantas Group Strategic Airlines~~ but are not used. The remaining 24 are unallocated. This leaves considerable unallocated capacity available for new entrant Vietnamese or Australian carriers.
6. While the Air Service Agreement provides for entry by another Australian or Vietnamese designated carrier on to Australia – Vietnam routes, that carrier must also be able to access airport slots at either end to commence operations. The ACCC understands that there are not significant impediments to acquiring airport slots at Vietnamese airports.

Japan

7. Australia has an ‘open skies’ style Air Service Agreement with Japan. Australian and Japanese designated airlines are able to determine their own capacity and frequencies at all airports except Narita (Tokyo), subject to acquiring acceptable landing slots at relevant airports. From 2013 all capacity restrictions will be removed at Narita airport for third–fourth freedom frequencies (anticipated during the IATA Northern Summer 2013 season commencing March 2013).¹⁵ Currently Japanese carriers are using 10.5 units of 79 available from Narita to Australia.
8. While the Air Service Agreement from 2013 will not prevent or constrain entry by another Australian or Japanese designated carrier on the Sydney-Tokyo route, that carrier must also be able to access landing slots at either of the two Tokyo airports (Haneda and Narita) in order to commence services on this route.
9. The ACCC understands that historically it has been difficult for long haul international carriers to access slots at these airports. However, this may be changing. Airlines including Jetstar Japan, Japan AirAsia and Peach have recently acquired slots at both Tokyo airports. The ACCC notes that Japan Airlines expects departure and landing slots to significantly increase in the Tokyo metropolitan area (Haneda and Narita) during financial years 2012 to 2016.¹⁶
10. The ACCC also understands that Japan has also entered into open skies style Air Services Agreements with the United States, the United Kingdom, Korea, Taiwan, Sweden, Denmark and Norway. Japan also has entered into a limited open skies agreement with China, which includes all airports except Narita, Haneda, Beijing and Shanghai. These agreements facilitate designated carriers of these countries operating services between Australia and Japan by using fifth freedom traffic rights.

¹⁵ http://www.minister.infrastructure.gov.au/aa/releases/2011/september/aa176_2011.aspx

¹⁶ JAL Group Mid-Term Management Plan Fiscal Years 2012-2016, http://www.jal.co.jp/en/info/other/pdf/120215_02.pdf, accessed 7 December 2012

Hong Kong

11. The current bilateral Air Services Agreement between Australia and Hong Kong makes available the following ~~capacity~~ to designated carriers of each country:
 - a. Passenger services between Sydney, Melbourne, Brisbane and Perth and Hong Kong – ~~45-70~~ services per week
 - b. Passenger services between all points in Australia other than Sydney, Melbourne, Brisbane and Perth and Hong Kong – no limit on the number of frequencies
 - c. All-cargo services between Sydney, Melbourne, Brisbane and Perth and Hong Kong – ~~one two~~ services s per week
 - d. All-cargo services between all points in Australia other than Sydney, Melbourne, Brisbane and Perth and Hong Kong – no limit
 - e. Fifth freedom rights are available for a maximum of 50% of the capacity of the aircraft operated, or up to 200 passengers per flight, whichever is higher.
 - f. Capacity may be used via points in Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand to Hong Kong on up to seven round trip frequencies per week on each city pair.
 - g. Capacity may be used beyond Hong Kong to points in Thailand, Singapore, Japan, Republic of Korea and one point in Europe and one point in the United Kingdom on up to 15 round trip frequencies in total per week.
 - h. Of these, if a European point is selected, up to three round trip frequencies per week may be operated. The European point may be selected from points in Germany, France, Scandinavia, Italy, the Netherlands or Switzerland. If a point in the United Kingdom is selected, ~~with immediate effect~~, up to seven round trip frequencies per week may be operated
 - i. A designated airline of Australia may, subject to conditions, enter into code-share arrangements, whether as the operating or marketing airline, in respect of passenger and freighter air services with: a designated airline(s) of Australia; an airline(s) of Hong Kong; and an airline(s) of a third country or countries.
12. Qantas currently has approval to operate ~~45-25~~ frequencies per week for passenger services and the capacity may be used by Qantas to provide services jointly with Air France. Hong Kong carriers are currently using 70 out of 70 frequencies from Hong Kong to major gateways in Australia.
13. The ACCC considers that the ASA may prevent entry or expansion by Hong Kong designated carriers, but that there is considerable unallocated capacity available for Australian designated carriers.
14. While the Air Service Agreement provides for entry by another Australian designated carrier on to Australia – Hong Kong routes, that carrier must also be able to access landing slots at either end to commence operations. While Qantas has indicated that it has not had any difficulty obtaining slots at the times

~~required, t~~The ACCC considers that access to landing slots at Hong Kong airport may constrain carriers wishing to enter Australia – Hong Kong routes.

China

15. Australia's Air Services Agreement with China makes the following capacity available to Australian carriers:
 - a. a total of ~~22,500~~16,118 seats each way per week to and from Sydney, Melbourne (including Avalon), Brisbane and Perth
 - b. unrestricted capacity, frequency and aircraft type to and from all points in Australia other than Sydney, Melbourne (including Avalon), Brisbane and Perth, and
 - c. in addition to the capacity set out above, an additional 2,500 weekly seats may be operated to and from Sydney, Melbourne (including Avalon), Brisbane and Perth in any direction provided such services operate via or beyond to a point in Australia other than Sydney, Melbourne (including Avalon), Brisbane and Perth.
16. Currently Qantas has an allocation of ~~2,170~~4,471 seats per week and Strategic Airlines (which has since ceased operations) was granted an allocation of 1,911 seats per week in August 2011.
17. There are 22,500 seats available to Chinese carriers to the major ports of Sydney, Melbourne, Brisbane and Perth (+2,500 seats if services are triangulated with a regional gateway). Currently Chinese carriers are utilising around 18,700 of these seats to the major gateways (Sydney, Melbourne, Brisbane and Perth). There is unrestricted access for Chinese carriers to regional points in Australia.
18. Any Australian designated airline (which includes Virgin Australia) may apply for (unallocated) capacity between Australia and China. Similarly Chinese designated carriers such as Air China, China Southern or China Eastern may apply for unallocated capacity to operate between Australia and China.
19. The ACCC considers that in the short to medium term regulatory barriers will not constrain further entry or expansion by Australian or Chinese designated carriers on routes between Australia and China. This may change in the longer term if the ASA between Australia and China is not renegotiated.
20. In order to enter or expand specific city pair services, for example Sydney-Shanghai, a carrier must be able to access airport slots at either end to commence operations. On the information currently before the ACCC, it appears that access to airport slots is not likely to be problematic, given the propensity in China to upgrade airport capacity when it becomes congested. For example, Shanghai has two airports, Pudong and Hongqiao. In November 2011 Pudong airport commenced expansion to build a fifth runway to increase the capacity of the airport.