



**Australian
Competition &
Consumer
Commission**

Our Ref: 56245
Contact Officer: Tanya Hobbs, Georgina Brett
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19 December 2014

Anna Pritchard
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Dear Ms Pritchard

**Qantas & China Eastern applications for authorisation A91470 & A91471
– information request**

I refer to the above mentioned applications for authorisation lodged with the Australian Competition and Consumer Commission (the ACCC) on 18 November 2014 by Qantas Airways Limited & China Eastern Airlines Corporation Limited.

In order to assist with its assessment of these applications the ACCC is seeking further information from Qantas. The information the ACCC requires is set out at Attachment A to this letter.

Please provide this information as soon as possible and in any case by no later than **COB 19 January 2015**. The information may be provided by email to adjudication@acc.gov.au.

The ACCC has also made a similar information request to China Eastern.

I note that some of the information requested may be confidential to Qantas. Under section 89 of the *Competition and Consumer Act 2010* the ACCC is able to exclude documents (or part documents) from its public register by reason of the confidential nature of any of the matters contained in the document. If Qantas does wish to request exclusion from the public register for any documents (or part documents) provided in response to the ACCC's request please clearly indicate this when providing the documents.

This letter will be placed on the ACCC's public register. If you wish to discuss any aspect of this matter, please do not hesitate to contact Gavin Jones on 03 9290 1475 or gavin.jones@acc.gov.au.

Yours sincerely

Rami Greiss
Executive General Manager
Merger and Authorisation Review

Attachment A

A reference to Qantas or China Eastern below also includes their respective related bodies corporate.

Data

Please provide all data in Microsoft Excel format.

1. For each route flown between China and Australia by Qantas (or each sector of the route if per-route data is not available), please provide the underlying EBIT and EBITDA for the route, for each month (or the greatest frequency that is available in the years where monthly data is not available) for financial years 2011, 2012, 2013 and 2014.
2. For each of the Sydney to Shanghai route and the Shanghai to Sydney route please provide the following information for each month (or the greatest frequency that is available in years where monthly data is not available) for the last five years:
 - a. number of seats flown on Qantas operated flights (total and by **passenger class**)
 - b. number of passengers carried (total and by **passenger class**) on Qantas operated flights
 - c. revenue from Qantas operated flights, total and separated into:
 - i. freight revenue
 - ii. lease revenue (such as revenue from codeshare arrangements)
 - iii. **passenger revenue**
 - iv. other (please specify)
 - d. number of **Qantas ticketed passengers** (total and by **passenger class**) on Qantas operated flights
 - e. number of China Eastern ticketed passengers (total and by **passenger class**) on Qantas operated flights
 - f. number of **Qantas ticketed passengers**, total and as a percentage of all **Qantas ticketed passengers**, who transferred to a China Eastern flight on arrival in Shanghai (total and by destination of China Eastern flights to which **Qantas ticketed passengers** transferred)
 - g. ticket revenue from **Qantas ticketed passengers** (total and by **passenger class**) on Qantas operated flights, separated into:
 - i. base fare revenue
 - ii. surcharges, charges and any taxes (excluding sales taxes, goods and services taxes or value-added taxes) – detailing what is included (fuel surcharges, landing charges, etc.)

- iii. any other ticket revenues (please specify)
- h. route profitability profit and loss reports for each financial year and an explanation of each line item in the route profitability profit and loss report

where:

Passenger class refers to first class, business class, premium economy and economy

Passenger revenue includes frequent flyer revenues, any surcharges (such as fuel surcharges), any charges (such as landing charges) and any taxes (excluding sales taxes, goods and services taxes or value-added taxes)

Qantas ticketed passengers are revenue passengers travelling on a Qantas code. It excludes staff travel, infant tickets, passengers redeeming frequent flyer entitlements and seats sold by other carriers through codeshare or interline arrangements

Ticket revenue includes any surcharges, any charges and any taxes levied on ticketed passengers (excluding sales taxes, goods and services taxes or value-added taxes)

Revenues should be provided in AUD.

Strategy documents

- 3. Please provide any document prepared for, or provided to, the Qantas board or Executive Committee, including but not limited to, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Executive Officer Qantas International (or any role encompassing this title), the Chief Executive Officer Jetstar and the Group Executive Government and Corporate Affairs, created in the past three years relating to:
 - a. strategies, options or proposals in the event authorisation of the Joint Coordination Agreement between Qantas and China Eastern is not granted
 - b. strategies, options or proposals to respond to China Eastern's entry, price and/or service decisions at a route, regional or network level or detailing any steps taken in response to China Eastern
 - c. the proposed Joint Coordination Agreement between Qantas and China Eastern, including all documents prepared by Qantas (or by its external advisors or consultants and provided to Qantas)
 - d. the proposition in Qantas' submission (section 3.3 of the Applicants' submission) that without the proposed Joint Coordination agreement Qantas is likely to become increasingly marginalised in respect of the Australia-China market
 - e. the facilitation of capacity increases the Applicants submit will result from the Joint Coordination Agreement (section 7.4 of the Applicants submission)

- f. strategies, options or proposals to respond to the entry, price and/or service decisions at a route, regional or network level or detailing any steps taken in response to the operations of the following airlines on routes to, from or within China:
 - i. China Eastern
 - ii. China Southern
 - iii. Air China
 - iv. Cathay Pacific
 - v. Sichuan Air
 - vi. Singapore Airlines
 - vii. Malaysia Airlines
 - viii. Virgin Australia
- g. Qantas strategy in relation to routes between Australia and China and the key competitive and strategic issues faced on those routes.
- h. analysis, explanation or description of Chinese airlines, including the extent to which they compete on routes to and from Australia and within China.

Other information and documents – QANTAS

- 4. Please provide an organisational chart showing the chain of management and responsibility within Qantas for strategic and operational decisions concerning Qantas routes between Australia and China.
- 5. Please provide details of any regulations and intergovernmental agreements, other than the *Agreement between the Government of Australia and the Government of the Peoples Republic of China relating to Air Services* which place limits on access to airspace, places where aircraft may land, windows of time for landing/take-off, number of seats that may be flown or type of aircraft used on routes between Australia and China.
- 6. Please provide:
 - a. a copy of the current codeshare agreement between Qantas and China Eastern
 - b. a list of all codeshare agreements, and a summary of the terms of these agreements, between Qantas and any international airline involving services to, from or within China
 - c. a list of all other codeshare agreements or alliances to which Qantas is a party.
- 7. Please provide any research undertaken by or on behalf of Qantas in the past five years regarding consumer preferences for international airlines operating services to or from China.

8. Please provide a list of Qantas' top 10 corporate customers on the Sydney – Shanghai route including details of a relevant contact person, phone number and email address.

Other information – QANTAS and China Eastern

The ACCC has also requested that China Eastern provide the information described in questions 9 and 10. The Applicants may wish to provide a joint response to these questions.

9. Please provide:
 - a. An exhaustive itemised list of the related bodies corporate of Qantas and China Eastern which the applications for authorisation are sought to cover and a sentence description of each entities' corporate role.
 - b. An exhaustive itemised list of the goods and services the supply/acquisition of which is covered by the scope of the authorisation. For each item, please state:
 - i. the supplier used by Qantas and its related bodies corporate, including the location serviced by each supplier if the supplier used by Qantas varies according to location;
 - ii. the supplier used by China Eastern, including the location serviced by each supplier if the supplier used by China Eastern varies according to location; and
 - iii. the rival suppliers to those used by Qantas and China Eastern, including by location, where either or both of Qantas or China Eastern use alternative suppliers based upon location.
10. Please provide further detail of the enhanced frequent flyer benefits that the Applicants submit will result from the Joint Coordination Agreement, including details about additional benefits to those currently provided through the codeshare agreement between Qantas and China Eastern.