

Our Ref: 56245
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**Australian
Competition &
Consumer
Commission**

23 December 2014

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Dear Ms Tao

**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 China Eastern. 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 Qantas.

I note that some of the information requested may be confidential to China Eastern. 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 China Eastern 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

A handwritten signature in black ink, appearing to be 'Rami Greiss'.

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 China Eastern (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 China Eastern operated flights (total and by **passenger class**)
 - b. number of passengers carried (total and by **passenger class**) on China Eastern operated flights
 - c. revenue from China Eastern 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 **China Eastern ticketed passengers** (total and by **passenger class**) on China Eastern operated flights
 - e. ticket revenue from **China Eastern ticketed passengers** (total and by **passenger class**) on China Eastern 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)
 - f. 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)

China Eastern ticketed passengers are revenue passengers travelling on a China Eastern 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 CNY.

Strategy documents

3. Please provide any document prepared for, or provided to, the China Eastern board 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 Qantas' entry, price and/or service decisions at a route, regional or network level or detailing any steps taken in response to Qantas
 - c. the proposed Joint Coordination Agreement between Qantas and China Eastern, including all documents prepared by China Eastern (or by its external advisors or consultants and provided to China Eastern)
 - d. the facilitation of capacity increases the Applicants submit will result from the Joint Cooperation Agreement (section 7.4 of the Applicants submission)
 - e. 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 and from Australia:
 - i. Qantas
 - ii. China Southern
 - iii. Air China
 - iv. Cathay Pacific
 - v. Sichuan Air
 - vi. Singapore Airlines

- vii. Malaysia Airlines
- viii. Virgin Australia
- f. Please describe the extent to which Chinese airlines with state ownership compete with each other on routes within China, providing any internal documents which support or illustrate your answer.

Other information and documents – China Eastern

- 4. Please provide an organisational chart showing the chain of management and responsibility within China Eastern for strategic and operational decisions concerning China Eastern routes between China and Australia.
- 5. Please provide details of the capacity available to Chinese carriers under the *Agreement between the Government of Australia and the Government of the People's Republic of China relating to Air Services (23 March 2004)*. In particular, please provide details about:
 - a. how capacity is allocated between airlines and between destinations within China including who is responsible for allocating available capacity and the process for making decisions about allocation of capacity
 - b. all capacity currently allocated to China Eastern (including allocation by departure/destination point if capacity is allocated in that manner)
 - c. to the extent that information is available to China Eastern, details, or estimates, of all capacity allocated to other carriers and of unallocated capacity (including each carriers allocation by departure/destination point if capacity is allocated in that manner).
- 6. Please provide details of any regulations and intergovernmental agreements, other than *Agreement between the Government of Australia and the Government of the People's 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.
- 7. Please provide:
 - a. a list of all codeshare agreements, and a summary of the terms of these agreements, between China Eastern and any international airline involving services to, from or within Australia
 - b. a list of all other codeshare agreements or alliances to which China Eastern is a party.

Other information – QANTAS and China Eastern

The ACCC has also requested that Qantas provide the information described in questions 8 and 9. The Applicants may wish to provide a joint response to these questions.

8. 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:
 - ii. 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;
 - iii. 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
 - iv. 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.

9. 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.