

## **PUBLIC REGISTER VERSION**

## **QANTAS AIRWAYS LIMITED AND CHINA EASTERN AIRLINES LIMITED**

# **RESPONSE TO ACCC INFORMATION REQUEST DATED 19 DECEMBER 2014**

The responses below have been redacted to remove confidential information. The redacted information provided is commercially sensitive and disclosure would be prejudicial to the Qantas Group and China Eastern.

#### Data

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.

Please see Confidential Attachment 1 (in respect of passenger services) and Confidential Attachment 2 (in respect of freight services) to this response.

#### [REDACTED - QANTAS CONFIDENTIAL INFORMATION]

- 2. For each of the Sydney to Shanghai route and the Shanghai to Sydney route 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.

Please see Confidential Attachment 1 (in respect of passenger services) and Confidential Attachment 2 (in respect of freight services) to this response.

# [REDACTED - QANTAS CONFIDENTIAL INFORMATION]

# **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;
  - 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.

The relevant material is included in the folder marked 'Strategy Documents' which has been couriered to Gavin Jones at the Commission's Melbourne office. Material has been arranged in chronological order and redacted where appropriate on the basis of relevance and legal professional privilege. **[REDACTED – QANTAS CONFIDENTIAL INFORMATION]** 

# 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.

Please see Confidential Attachment 3 to this response.

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.

In addition to the Air Services Agreement between Australia and China signed on 23 March 2004, the following agreements are currently in effect:

- MOU between Australia and China signed on 8 July 2003; and
- MOU between Australia and China signed on 2 March 2011 (this superseded the 2010 MOU).

As per the MOU signed by the Australian and Chinese Governments on 2 March 2011, the capacity for the designated airline/s of China is:

- a total of 22500 seats each way per week to and from Sydney, Melbourne (including Avalon),
   Brisbane and Perth; and
- unrestricted capacity, frequency and aircraft type to and from all points in Australia other than Sydney, Melbourne (including Avalon), Brisbane and Perth.

The designated airlines of Australia and China may also operate in any direction an additional 2,500 weekly seats between points in China and Sydney, Melbourne (including Avalon), Brisbane and Perth, provided such services operate via or beyond to a point in Australia other than Sydney, Melbourne (including Avalon), Brisbane and Perth. This capacity allocation came into effect on 1 February 2012.

In addition to the ASA and MOUs, entry to Chinese airspace is governed by Chinese Government approval processes. In most cases, only one entry or exit point to Chinese airspace is approved by the Civil Aviation Administration of China (CAAC) for each sector being operated to or from China. Navigation positions (entry points to airspace) are specified by flight number for both passenger and freighter services.

The China Operations Specification is prepared by officially designated Qantas representatives and issued by the Minister of CAAC. The Specification lists the airports that carriers may nominate for scheduled and contingency (alternate) services for flight planning purposes. This document also allows for flight plans that take into account operations during low visibility conditions. Prior to airports being included in the China Operations Specification, the carrier must provide evidence that it has entered into ground handling contracts at the relevant airports. The Civil Aviation Administration of China (CAAC) also approves particular aircraft types to operate scheduled and non-scheduled (charter) services to China.

The ability to access specific windows of time for landing/take-off on routes between Australia and China is governed by the IATA World Slot Guidelines, depending on the classification of the airport in question. The IATA World Slot Guidelines provide a structure for airports around the world to manage the supply and demand of constrained airport infrastructure.

Airports will be classified as Level 1, 2 or 3 by IATA depending on infrastructure constraints at the airport in question. Airports designated as Level 3 are managed by 'Coordinators' and, as such, access to windows of time for landing/take-off are coordinated in line with the availability of airport infrastructure. Level 2 airports are managed by 'Facilitators', although access to windows of time for landing/take-off is generally more dependent on the airline's ground handling infrastructure. Level 1 airports are never coordinated and again the airline's ground handler will determine the capability to access specific windows for landing/take-off.

As the majority of major Australian and Chinese airports are classified as Level 3 (see Table 1 below), the IATA World Slot Guidelines will apply in conjunction with the regulations described above regarding capacity and airspace access. As such, access to specific windows of time for landing/take-off is managed between the relevant airline and the Coordinator of the airport in question.

Table 1: IATA Classification of Major Airports in Australia and China

Airport	Classification
Australia	
Adelaide (ADL)	Level 3
Brisbane (BNE)	Level 3
Cairns (CNS)	Level 3
Darwin (DRW)	Level 3
Gold Cost (OOL)	Level 3
Hobart (HBA)	Level 2
Melbourne (MEL)	Level 3
Perth (PER)	Level 3
Sydney (SYD)	Level 3
Townsville (TSV)	Level 2
China	
Beijing (BJS)	Level 3
Chengdu Shuangliu (CTU)	Level 3
Chongqing Jiangbei (CKG)	Level 3
Dalian Zhoushuizi (DLC)	Level 3
Guangzhou (CAN)	Level 3
Hangzhou Xiaoshan (HGH)	Level 3
Kunming Wujiaba (KMG)	Level 3
Shanghai (PVG)	Level 3
Shenzhen Baoan (SZX)	Level 3
Tianjin Binhai (TSN)	Level 3
Xi'an Xianyang (XIY)	Level 3

# 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.

The current codeshare agreement (including the most recent amendment) between Qantas and China Eastern is Confidential Attachment 4 to this response.

A list of all codeshare agreements between Qantas and other airlines involving services to, from or within China is set out in Table 2 below.

Table 2: Qantas' Other Codeshare Agreements To/From or Within China

Carrier	Туре	Primary Scope (to/from AU/NZ)
China Southern	[REDACTED - QANTAS CONFIDENTIAL INFORMATION]	Guangzhou/South west mainland China
China Airlines	[REDACTED - QANTAS CONFIDENTIAL INFORMATION]	Taiwan

A (public register version) list of all codeshare agreements to which Qantas is a party is Attachment 5 to this response.

Qantas is a party to the oneworld marketing alliance. Members of the oneworld alliance are: British Airways, Cathay Pacific, American Airlines, Finnair, Iberia, LAN, airberlin, Japan Airlines, TAM Airlines, Malaysia Airlines, Qatar Airways, Royal Jordanian Airlines, S7 Airlines and Sri Lankan Airlines.

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.

# [REDACTED - QANTAS CONFIDENTIAL INFORMATION]

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.

#### [REDACTED - QANTAS CONFIDENTIAL INFORMATION]

#### Other information – QANTAS and China Eastern

- 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.

Please see Attachment 7 to this response.

- 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.

The Applicants have not yet engaged in discussions to identify specific opportunities for joint procurement of particular goods and services in particular ports. Joint procurement is an area of coordination that will evolve over time once the Proposed Conduct commences. However, as an initial step, the Applicants have identified the following goods and services as those in relation to which joint procurement is likely to be cost effective and efficient:

- Inflight Catering
- Lounges
- Logistics
- Corporate Services
- Inflight Good and Services
- Crew Accommodation
- Labour Hire
- Airport Charges
- Fuel
- Ground Handling
- Aircraft Maintenance and Inflight Entertainment
- Aircraft Components

Please see Confidential Attachment 8 for the Qantas supplier details. China Eastern is in the process of completing this data and will provide it to the Commission separately as soon as possible.

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.

The Proposed Conduct would provide the commercial incentive for the Applicants to improve the frequent flyer proposition and customer experience for each airline's loyal customers, particularly those with a particular membership tier status. Some of the potential benefits for eligible members that may be agreed and implemented over time include:

- priority check-in, enabling an efficient airport experience regardless of the class of travel;
- additional checked baggage allowance, providing customers additional flexibility to travel on either Qantas or China Eastern services;
- priority boarding, giving passengers the opportunity to board at their leisure on either Qantas or China Eastern services;
- lounge access, providing an improved pre-flight experience when travelling on Qantas or China Eastern, regardless of their class of travel; and
- on-board recognition, providing China Eastern members a similar service level on-board to that offered to Qantas Frequent Flyer members.

[REDACTED - QANTAS CONFIDENTIAL INFORMATION]

# Core Partnership Portfolio

# Codeshares & Joint Businesses

Region	Partner	Primary Scope / Purpose (AU/NZ to)
	American Airlines (AA)*	North America
North America	Alaskan Airlines/Horizon (AS)	West Coast US/Mexico
	WestJet (WS)	Canada
	Emirates (EK)	UKI/EU/MENA/(Asia)
Europe	Finnair (AY)*	Finland/Scandinavia
	British Airways (BA)*	• EU/UK
	Jet Airways (9W)	• India
	Bangkok Airways (PG)	Thailand/Rest of South East Asia
	China Airlines (CI)	Taiwan
	China Southern (CZ)	Guangzhou / South West China (Mainland)
Asia	China Eastern (MU)	Shanghai / Mainland China (North East)
Asid	Vietnam Airlines (VN)	Vietnam
	Sri Lanka Airlines (UL)*	Sri Lanka
	JAL (JL)*	• Japan
	Jetstar Asia (3K/VF)	South East Asia
	Asiana (OZ)	• Korea
South America	LAN Chile (LA)*	South America
Jetstar	Jetstar (JQ)	Domestic AU/NZ/International
	Fiji Airways (FJ)	Fiji / (North America)
	Air Vanuatu (NF)	• Vanuatu
Decific Islands /	Air Niugini (PX)	• PNG
Pacific Islands / Domestic	Alliance Airlines (QQ)	Domestic AU
Bomestic	Aircalin (SB)	New Caledonia
	Air North (TL)	Domestic AU
	Air Tahiti Nui (TN)	Tahiti

\* Denotes oneworld member

Company Name	ACN	Incorporated	Percentage Ownership
738 Leasing 1 Pty Limited	33 099 119 641	Australia	100
738 Leasing 2 Pty Limited	71 099 119 801	Australia	100
AAL Aviation Limited	83 008 642 886	Australia	100
Australian Regional Airlines Pty. Ltd.	25 006 783 633	Australia	100
Regional Airlines Charter Pty Limited	21 147 543 806	Australia	100
Network Aviation Pty Ltd	082 007 350	Australia	100
Network Aviation Holdings Pty Ltd	081 505 008	Australia	100
Network Holding Investments Pty Ltd	110 179 818	Australia	100
Network Turbine Solutions Pty Ltd	20 110 180 008	Australia	100
Osnet Jets Pty Ltd	99 128 559 419	Australia	100
Sunstate Airlines (Qld) Pty. Limited	82 009 734 703	Australia	100
Southern Australia Airlines Pty Ltd	38 006 604 217	Australia	100
Airlink Pty Limited	76 010 812 316	Australia	100
Eastern Australia Airlines Pty. Limited	77 001 599 024	Australia	100
Impulse Airlines Holdings Proprietary Limited	67 090 590 024	Australia	100
Impulse Airlines Australia Pty Ltd	17 090 379 285	Australia	100
Jetstar Airways Pty Limited	33 069 720 243	Australia	100
Jetstar Airways Limited		New Zealand	100
Jetstar Group Pty Limited	64 003 901 353	Australia	100
TAA Aviation Pty. Ltd.	17 008 596 825	Australia	100
Australian Airlines Limited	85 099 625 304	Australia	100
Jetstar Services Pty Limited	19 107 638 326	Australia	100
Hooroo Pty Limited	32 152 774 457	Australia	100
Jetconnect Limited		New Zealand	100
Jetstar Asia Holdings Pty Limited	86 108 623 123	Australia	100
Newstar Investment Holdings Pte. Ltd.		Singapore	49
Orangestar Investment Holdings Pte. Ltd.		Singapore	49
Jetstar Asia Airways Pte. Ltd.		Singapore	49
Valuair Limited		Singapore	49
Jetstar International Group Australia Pty Limited	17 152 774 395	Australia	100
Jetstar International Group Holdings Co. Limited	1722639	Hong Kong	100

Jetstar Regional Services Pte. Ltd.	201229688K	Singapore	100
Jetstar International Group Japan Co., Ltd		Japan	100
Jetstar Leasing Pty Limited	81 138 783 169	Australia	100
Qantas Asia Investment Company Pty Ltd	26 125 048 044	Australia	100
Qantas Catering Group Limited	34 003 836 440	Australia	100
Q Catering Limited	35 003 530 685	Australia	100
Qantas Airways Domestic Pty Limited	52 123 140 152	Australia	100
Qantas Domestic Pty Limited	21 134 556 255	Australia	100
Qantas Freight Enterprises Limited	55 128 862 108	Australia	100
Express Freighters Australia Pty Limited	73 003 613 465	Australia	100
Australian Air Express Pty Ltd	74 054 307 336	Australia	100
Express Freighters Australia (Operations) Pty Limited	54 119 093 999	Australia	100
Qantas Road Express Pty Limited	56 130 392 111	Australia	100
Qantas Foundation Trustee Limited	130 129 449	Australia	100
Qantas Frequent Flyer Limited	12 129 456 908	Australia	100
Accumulate Loyalty Services Limited	38 085 529 979	Australia	100
Loyalty Magic Pty Ltd	51 075 350 239	Australia	100
Qantas Frequent Flyer Operations Pty Limited	22 132 484 210	Australia	100
Qantas Ground Services Pty Limited	43 137 771 692	Australia	100
Qantas Group Flight Training Pty Limited	29 128 258 104	Australia	100
Qantas Group Flight Training (Australia) Pty Limited	45 128 258 677	Australia	100
Qantas Information Technology Ltd	99 000 005 372	Australia	100
QF 738 Leasing 5 Pty Limited	75 100 511 706	Australia	100
QF 738 Leasing 6 Pty Limited	83 100 511 742	Australia	100
QF 744 Leasing 3 Pty Limited	18 100 511 466	Australia	100
QF 744 Leasing 4 Pty Limited	24 100 511 493	Australia	100
QF A332 Leasing 1 Pty Limited	11 100 511 813	Australia	100
QF A332 Leasing 2 Pty Limited	13 100 511 886	Australia	100
QF A332 Leasing 3 Pty Limited	86 100 510 503	Australia	100
QF A332 Leasing 4 Pty Limited	84 100 510 558	Australia	100
QF A333 Leasing 3 Pty Limited	50 100 510 352	Australia	100
QF A333 Leasing 4 Pty Limited	44 100 510 389	Australia	100
QF B738 2011 No.1 Pty Limited	76 151 556 393	Australia	100

QF B738 2011 No.2 Pty Limited	95 151 556 473	Australia	100
QF B738 2011 No.3 Pty Limited	97 151 556 482	Australia	100
QF B738 2011 No.4 Pty Limited	23 151 556 544	Australia	100
QF B738 2011 No.5 Pty Limited	27 151 556 562	Australia	100
QF BNP 2008-1 Pty Limited	25 132 252 174	Australia	100
QF BNP 2008-2 Pty Limited	17 132 252 138	Australia	100
QF BOC 2008-1 Pty Limited	22 100 510 674	Australia	100
QF BOC 2008-2 Pty Limited	35 100 510 727	Australia	100
QF Cabin Crew Australia Pty Limited	46 128 382 105	Australia	100
QF Calyon 2009-1 Pty Limited	23 135 258 534	Australia	100
QF Calyon 2009-2 Pty Limited	12 135 258 490	Australia	100
QF Dash 8 Leasing No. 2 Pty Limited	44 134 259 957	Australia	100
QF Dash 8 Leasing No. 3 Pty Limited	48 134 259 975	Australia	100
QF Dash 8 Leasing No. 4 Pty Limited	91 135 258 445	Australia	100
QF Dash 8 Leasing No. 5 Pty Limited	31 149 204 713	Australia	100
QF Dash 8 Leasing No. 6 Pty Limited	35 164 390 238	Australia	100
QF ECA 2008-1 Pty Limited	71 133 356 475	Australia	100
QF ECA 2008-2 Pty Limited	73 133 356 420	Australia	100
QF ECA A380 2010 No.1 Pty Limited	14 145 079 312	Australia	100
QF ECA A380 2010 No.2 Pty Limited	78 145 079 205	Australia	100
QF ECA A380 2010 No.3 Pty Limited	61 145 079 134	Australia	100
QF ECA A380 2010 No.4 Pty Limited	42 145 079 054	Australia	100
QF ECA A380 2011 No.1 Pty Limited	11 145 078 931	Australia	100
QF ECA A380 2011 No.2 Pty Limited	19 146 437 774	Australia	100
QF EXIM B787 No.1 Pty Limited	53 166 786 321	Australia	100
QF EXIM B787 No.2 Pty Limited	49 166 786 367	Australia	100
Snap Fresh Pty Limited	55 092 536 475	Australia	100

# Description

This is an aircraft financing entity.

This is an aircraft financing entity.

This is an investment entity.

Holding Company.

This company holds the interest in the Network Aviation Group of Companies.

Operational Airline.

**Holding Company** 

**Holding Company** 

This company holds assets ie engines for the Network Aviation Group.

This company holds assets ie engines for the Network Aviation Group.

Operational Airline.

Operational Airline.

Operational Airline.

Operational Airline.

Holding Company for Jetstar Airways Pty Limited

Dormant entity.

Operational Airline.

The principal activity of the Company is the employment and on hire of cabin and technical crew to Jetstar Airways Pty Limited.

The entity is an employment vehicle for Jetstar.

Dormant entity.

Dormant entity.

The provision of ground staff and cabin crew to Jetstar.

This entity provides online hotel booking capability for Qantas and Jetstar.

The principal activity of the entity during the year was the operation and management of aircraft in order to fulfill an operating schedule of Trans-Tasman commercial passenger flights.

Holding company. This company holds the shares in the Newstar Group.

Holding company. This company holds the shares in the Newstar Group.

Holding company. This company holds the shares in Jetstar Asia Airways Pte Ltd and Valuair Limited.

Operational Airline.

Operational airline and undertakes some welteasing activities.

**Holding Company** 

**Holding Company** 

Employment entity, providing services to the Jetstar branded airlines.

Investment entity, holding our shares in Jetstar Japan

Aircraft leasing entity for the Jetstar Group.

**Holding Company** 

**Holding Company** 

This entity provides catering services to the Qantas Group.

This entity is dormant and it is intended to hold the domestic AOC.

This entity employees cabin crew.

Holding Company.

This entity is the operational freight entity which holds the freight AOC.

This entity provides point to point domestic air freight services.

This entity is the international air freight entity for the Group.

This entity holds in interest in Jets Transport entity, which provides long haul road transport services.

This entity is trustee for the Qantas Foundation, a not for profit trust which provides opportunities for community groups in need.

**Holding Company** 

This entity facilitates the redemption of Qantas Frequent Flyer points.

This entity facilitates the redemption of loyalty program rewards for external companies.

This is the operating entity for Qantas Frequent Flyer.

This entity acts as a labour hire vehicle and provides ground handling services for the Group.

Holding Company.

This entity undertakes the flight simulator training for Qantas pilots.

This is an employment vehicle.

This is an aircraft financing entity.

This is a aircraft financing entity.

This is an aircraft financing entity.

This entity prepares meal components for Q Catering and a small number of external clients.

# **Company Name**

China Eastern Airlines is the only corporate body sought to be included within the authorisation