

6 February 2015

Dr Richard Chadwick  
General Manager  
Adjudication Branch  
Australian Competition &  
Consumer Commission

**Sent by email:** [Richard.Chadwick@accc.gov.au](mailto:Richard.Chadwick@accc.gov.au)

Dear Dr Chadwick

**A91470 & A91471- Qantas & China Eastern- submission**

We thank you for the opportunity to comment on the proposed alliance between Qantas Airways Limited and China Eastern Airlines Corporation Limited.

Virgin Australia supports the proposition that in some circumstances a relationship beyond codeshare is required to provide the commercial incentives for customers to be able to obtain the benefit of enhanced reciprocal frequent flyer benefits and improved reciprocal inventory access and inventory management.

Without a deeper relationship, there may not be the incentive to offer the other carrier the ability to codeshare or sell the complete range of commercial fare types, the ability to sell all available seats, or the ability to sell tickets on particular routes. There also may not be the incentive to provide passengers the ability to obtain the full extent of frequent flyer benefits.

Virgin Australia agrees that the ability to expand a carrier's product offering by selling on another carrier's services and coordinating complementary customer propositions allows for improvement in profitability without the need or risk of significant capital outlay and that partnering with another carrier in a more coordinated way than an unimmunised codeshare *can*, amongst other things:

- allow for improved, scheduling, connectivity and pricing;
- provide an improved and more seamless customer experience;
- efficiently provide significant network benefits and sales and distribution capability/strength in the non-home market;
- facilitate capacity increases;
- reduce costs and facilitate increased passenger flow onto the airline's international and domestic services; and
- provide a basis for exploring opportunities to introduce new services

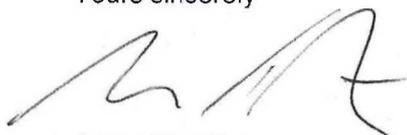
As noted in the Qantas- China Eastern submission, airline cooperation can be "a legitimate and essential way for airlines to remain viable in the face of rising costs and intense global competition". However, for authorisation to be granted these benefits must outweigh any potential detriment.

We acknowledge that the ACCC **will** assess these benefits against any potential competitive detriment requiring a consideration of the net effects of this Alliance in the context of:

- Qantas and China Eastern's dominant combined share of the Sydney-Shanghai route (whether this is looked at on a direct or indirect basis (ie, servicing China via Hong Kong));
- The existing codeshare arrangements between Qantas and China Eastern, Qantas and China Southern, Qantas and Cathay Pacific via Oneworld; and
- Qantas' authorisation to coordinate with four Asian based Jetstar branded joint ventures on passenger and cargo services which allows the airline owners of the joint ventures to support and expand each joint venture and to relate the joint ventures to their own businesses. The four Asian based joint ventures include: Jetstar Asia, Jetstar Pacific, Jetstar Japan and Jetstar Hong Kong (which is a joint venture between the Qantas Group and China Eastern Airlines).

Please contact me if you would like to discuss this matter further.

Yours sincerely

A handwritten signature in black ink, appearing to read "A Thatcher".

Adam Thatcher  
**General Counsel / Company Secretary**