

7 April 2015

Dr Richard Chadwick  
General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
23 Marcus Clarke Street  
Canberra ACT 2601

Dear Dr Chadwick

**A91470 and A91471 – Qantas and China Eastern – Submission**

Thank you for the opportunity to provide Tourism and Events Queensland's (TEQ) position on Qantas Airways Limited's (Qantas) and China Eastern Airlines Corporation Limited's (China Eastern) application to coordinate its operations between Australia and China pursuant to a Joint Coordination Agreement (Joint Venture).

I write in support of the proposed Joint Venture between Qantas and China Eastern. The joint venture is likely to deliver net benefits to the State of Queensland, and is consistent with the Queensland Government's tourism policy aims. The Queensland tourism industry has an ambitious target to grow annual overnight visitor expenditure to \$30 billion by 2020.

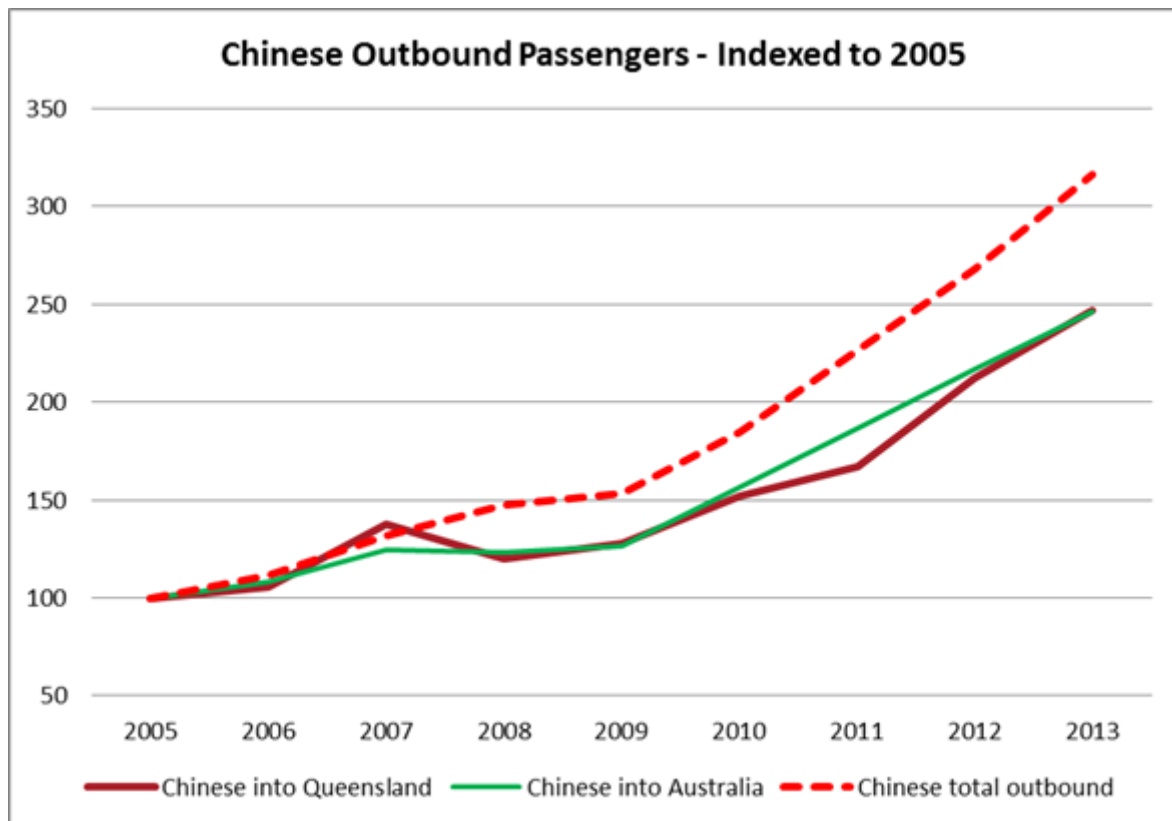
Tourism is vital to Queensland. Overnight visitors spent \$18 billion in the state over the last 12 months, with the industry generating 1 in 10 jobs, \$2.6 billion in tax revenue and \$6 billion of exports. Queensland is fortunate to have its key tourism destinations like the Gold Coast, Tropical North Queensland, Sunshine Coast, Brisbane and the Whitsundays ranked within the top 10 of Australian destinations for local, interstate and international visitors to enjoy.

Chinese overnight visitor expenditure is now the largest for Queensland, with Chinese visitors spending \$590 million in the year to September 2014, or \$128 per person per night (higher than the \$88 average for international overnight visitors).

The proposed Joint Venture between Qantas and China Eastern would have significant positive benefits for Queensland tourism, helping to generate economic growth and jobs in tourism and other sectors. I set out my reasons below.

Firstly, the Joint Venture could help stimulate growth in Chinese visitation to Queensland, through improved air connectivity between China and Australia. Improved connectivity for Chinese visitors to Australia could be expected by leveraging China Eastern’s significant domestic network to source a wider and broader Chinese market for visitation into Australia, and enabling Chinese visitors to more readily visit more of Australia by leveraging Qantas’ domestic network.

Secondly, the Joint Venture could help address the loss of market share experienced by Queensland (and Australia) to non-Australian destinations. Although Chinese outbound visitation has grown, Chinese visitor growth into Queensland and Australia as a whole has lagged behind overall Chinese outbound visitor growth. For example, the circa 150% growth in Chinese visitation to Queensland (and Australia) over 2005 to 2013 is well behind the 220% overall growth of Chinese outbound visitors over the same period (see chart below).



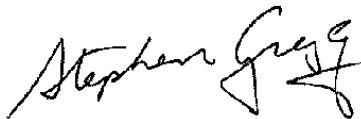
Thirdly, making it more attractive for Chinese visitors to come to Australia through the Joint Venture could help offset the likely slowing in Chinese economic growth and its potential impact on Chinese demand for overseas travel. According to recent Bloomberg data, Chinese GDP growth averaged around 9.4% per annum over the last 10 years, higher than the circa 7% growth forecast over the next two years.

Finally, the Joint Venture is likely to assist in the long-term viability of China-Australia access. The aviation industry is increasingly looking to form ways to cooperate, to ensure the long-term viability of the routes they operate by better managing large fixed costs (such as aircraft) and significant volatility in input costs (such as aviation fuel).

The proposed joint venture between Qantas and China Eastern is likely to have positive economic benefit to Queensland by making it more attractive for Chinese visitors to visit Queensland. On this basis, TEQ supports the proposed Joint Venture.

If you have any questions, please do not hesitate to contact Leanne Coddington, Chief Executive Officer on 07 3535 5508 or via email to [leanne.coddington@queensland.com](mailto:leanne.coddington@queensland.com), or Danny Huang, Director Research, Economics and Insights on 07 3535-5180 or via email to [danny.huang@queensland.com](mailto:danny.huang@queensland.com).

Yours sincerely,



Stephen Gregg  
Chairman

cc The Hon Kate Jones MP, Minister for Education and Minister for Tourism, Major Events, Small Business and the Commonwealth Games