



National Tourism Alliance

8 April 2015

To: Australian Competition and Consumer Commission

Via email: adjudication@accc.gov.au

**Re: Qantas Airways Limited & China Eastern Airlines Corporation Limited
Applications A91470 & A91471**

To Whom It May Concern

On 16th December 2014, the National Tourism Alliance (NTA) wrote a submission in support of the joint venture between Qantas and China Eastern Airlines. We write to you again to seek a reconsideration of the ACCC's draft determination proposing to deny authorisation for Qantas and China Eastern to coordinate their operations between Australia and China under the proposed Joint Coordination Agreement. We believe the public good and tourism industry benefits have not been taken fully into account in this decision, and the draft determination constrains the ability of Australian airlines to develop a strategic hub in China.

1. Public Benefits

The NTA membership comprises state and national industry associations with an interest in Australia's tourism and hospitality industry. These associations (listed on page 3) represent the interests of an industry with 280,000 businesses in Australia employing almost 1 million people: 1 in 12 of the Australian workforce¹.

The tourism sector is a source of economic strength and international competitiveness for Australia. Tourism Research Australia in 2011 stated that tourism's total output multiplier was valued at 1.92. This means that for every dollar tourism earns directly in the Australian economy, it value adds an additional 92 cents to other parts of the economy. At 1.92, tourism's total multiplier is larger than other industries such as *Mining* (1.67), *Retail trade* (1.81) and *Education and training* (1.38).

Tourism and hospitality make a huge contribution to the Australian economy; tourism consumption in Australia in 2013/14 totalled \$113.3 billion. Tourism contributes \$43.4 billion to Australia's gross domestic product (GDP), a 3.4% share of the Australian economy. Tourism related employment in regional areas generates over 200,000 jobs and provides more jobs for Australians than mining, agriculture, forestry and fishing combined.

Growth in tourism and hospitality is beneficial for the whole economy, not just for the thousands of businesses and employees in the sector. The partnership between Qantas and China Eastern Airlines would assist in facilitating this growth. The potential for tourism and hospitality to drive jobs growth and economic prosperity nationally means that the Australian Government and the tourism industry

¹ Tourism Research Australia: <http://www.tra.gov.au>

have signed up to an ambitious target of doubling overnight visitor spending in Australia to \$140 billion by 2020; the international spend represents over 30 per cent of this.

2. Tourism and Trade Benefits

International visitors currently spend over \$30 billion a year in Australia. The international inbound market grew across all measures year on year to September 2014: visitor numbers increased by 8 per cent to 6.3 million, trip nights increased by 3 per cent to 221 million, and spend increased by 9 per cent to \$30.7 billion. To maintain this growth and the concomitant downstream benefits to the whole economy, tourism and hospitality need aviation capacity to keep pace with demand.

Australia's top five inbound markets (New Zealand, China, the UK, the US and Singapore) are expected to provide 56 per cent of arrivals over this period. China is expected to contribute nearly one-quarter (24 per cent) of the increase in inbound arrivals over the forecast period to 2022-23. Chinese visitors are also top of the list for the share of spending in Australia. By 2020 the Chinese market is expected to contribute \$7 to \$9 billion annually.

The capacity and services achieved under the five-year agreement between Qantas and China Eastern Airlines will be an important contributor that enables the industry to maximise the opportunities presented by the growing northern, and south east, Asian markets. It is critical that the tourism transport environment is able to support this growing demand from Asia. This partnership will facilitate this growth and benefit the Australian economy and consumers.

Growing demand from Asia and ensuring the tourism transport environment supports the growth are two of six key strategies of Tourism 2020 – Australia's national strategy to enhance growth and competitiveness in the tourism industry². The partnership between Qantas and China Eastern Airlines would assist government in achieving the targets of this significant tourism plan.

Tourism Australia, the marketing agency for Australia internationally, is spending tens of millions of dollars in China and North Asia to attract visitors to Australia, and reports an extremely positive outlook, noting in its 'China 2020 Strategic Plan' (2011)³, the importance of a healthy aviation environment to the success of the China 2020 goal.

The broader Australia-China connectivity will better facilitate the two-way trading partnership between the countries. China is Australia's largest trading partner in goods and services (valued at more than \$150 billion in 2013), our largest goods export destination (\$95 billion in 2013), and our largest source of merchandise imports (\$47 billion in 2013).

3. Developing a Strategic Hub in China

The Australia-China market is highly competitive in terms of both direct traffic and indirect options through other Asian hub cities. We are concerned that the draft determination cements a competitive advantage for other carriers and these hubs, through the existing liberal air services agreements that China has with them, in addition to the arrangements that Australia has with these third countries.

It will be possible to better and more efficiently serve secondary cities in China through a domestic Chinese hub, for both the Australian and Chinese markets. Coordinating Qantas/China Eastern

² Austrade, Tourism 2020: <http://www.austrade.gov.au/Tourism/tourism-2020>

³ Tourism Australia, China 2020 Strategic Plan: http://www.tourism.australia.com/documents/corporate/TA_China_2020_Strategic_Plan.pdf

operations at Shanghai International Airport will also achieve the benefits of efficiencies and better customer service through reduced transit times, improved products and connectivity, increased travel offerings and improved facilities and coordinated customer service in this strategically important hub. This will support trade, tourism and business between the two countries.

Importantly for Australian tourism, China Eastern will be able to offer additional flights between Sydney/Melbourne and Shanghai from 2016. In addition there is the opportunity to explore new routes between Brisbane and/or Perth and Shanghai, enabling further dispersal of visitors across Australia.

Thank you for the opportunity to comment further on this matter. Please contact me on 0488 069 945 if you require any further information or clarification of this submission.

Yours faithfully



Juliana Payne
Chief Executive Officer

NATIONAL TOURISM ALLIANCE MEMBER ASSOCIATIONS

1.	Australian Tourism Export Council
2.	Caravan Industry Association of Australia
3.	National Capital Attractions Association
4.	NSW Business Chamber, Tourism Industry Division
5.	Queensland Tourism Industry Council
6.	Restaurant & Catering Australia
7.	South Australian Tourism Industry Council
8.	Star Ratings Australia
9.	Tourism Council Western Australia
10.	Tourism Industry Council Tasmania
11.	Tourism Top End
12.	Victoria Tourism Industry Council
13.	Ecotourism Australia