

14 April 2015

Dr Richard Chadwick
General Manager, Adjudication Branch
Enforcement and Compliance Division
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601
By email: adjudication@accc.gov.au

References: A91470, A91471

Qantas & China Eastern – Submission

Dear Dr Chadwick,

The Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the most prestigious corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

I am writing to you today to inform you that it is our opinion that the ACCC's recent draft determination of the proposed partnership between Qantas Airways and China Eastern Airlines flies in the face of government moves to build improved trade relations and increase travel between China and Australia.

The determination goes against the spirit of the hard work put into developing closer ties with China. Asia, and in particular China, is a fast-growing and critical market for the Australian tourism industry.

As you will be aware, tourism offers high-employment opportunities, a rapidly expanding customer base and a strong competitive advantage. Tourism is already Australia's largest service export, employing almost twice as many people as the mining industry, and generating expenditure in excess of \$100 billion every year - more than all Australian primary industries combined.

There is still significant room for growth in tourism. The federal government, along with all states and territories, has endorsed an aggressive tourism target as part of the Tourism 2020 strategy. Very strong growth in Asian visitor spending, the fastest growing segment of Australia's visitor economy, underpins the target of doubling nominal overnight visitor spending from \$70 billion in 2009 to \$115-140 billion by 2020. The proposed alliance between Qantas and China Eastern should be viewed in the prism of achieving Tourism 2020's inbound tourism targets

China is already Australia's second largest inbound tourism market and the largest in terms of visitor expenditure, but there is great opportunity for further growth.

Recent figures have shown however that growth in visitation is slowing. In comparison, rival destinations are making significant gains. Chinese visitors to the USA, for example, are growing by 23 per cent and those to Canada by more than 30 per cent.

This slowdown reinforces what we already know: potential tourists will not visit Australia just because we are here. We must continue to make travel to our shores quicker and easier.

One significant step toward increasing visitation from China would be improved access to the second- and third-tier Chinese cities that this partnership would have provided through China Eastern's domestic Chinese network along with more frequent services to key hubs like Shanghai. Australia is a very aspirational destination for the emerging middle classes in these cities and having airlines offering one-stop services would be a huge boost.

Additionally, the ability of Qantas to transfer China Eastern customers to all the points in its Australian domestic network is an additional boost for stimulating regional tourism. These links will enable greater dispersal of Chinese visitors into regional Australia, where there are significant investments being made to cater for the China market

The capacity to find seats for those travellers and open routes to regional centres in China will be a major ingredient in Australia's capacity to leverage this future opportunity.

On this basis, we supported the expansion of the air services agreement between Australia and China, signed in January. There was innovation in the bilateral agreement, notably in ensuring that regional cities in China were outside the weekly seat caps contained within the agreement. This would ensure that direct services from secondary cities to Australia can be launched. The corollary of this is that Australian carriers need access to Chinese hubs through partner airlines if the agreement is to be balanced.

The economic benefit of supporting tourism is well known. Growing the visitor economy provides significant opportunities for business, tourism operators and educational institutions. This could mean big dollars for Australian operators.

We would welcome the opportunity to discuss this matter in more detail. Please contact TTF Director, Aviation Policy Justin Wastnage on 02 9240 2034 or jwastnage@ttf.org.au.

Yours sincerely



Margy Osmond
Chief Executive Officer