



**Australian Government**

**Department of Infrastructure and Regional Development**

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Dr Richard Chadwick  
General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
CANBERRA ACT 2601

Dear Dr Chadwick

**Qantas Airways Limited and American Airlines Inc—Applications for revocation of authorisations A91265 & A91266 and substitution of new authorisations A91502 & A91503**

Thank you for your letter of 12 June 2015. The Department of Infrastructure and Regional Development (the Department) appreciates the opportunity to provide a submission to the ACCC on the proposed reauthorisation of the alliance between Qantas Airways and American Airlines. The proposal raises many of the issues the Department covered in its submission to the ACCC on the Virgin Australia - Delta Air Lines alliance.

The Department recognises it is a matter for the ACCC to determine the relative merits of arguments presented by the applicants on the public benefits and the effect on competition of the proposed joint venture consistent with the requirements of the *Competition and Consumer Act 2010*. The following contextual information on the Australian Government's aviation policy and the state of the market is provided to help the ACCC in its deliberations.

The Australian Government is committed to helping the aviation industry grow in an environment that is safe, competitive and productive.

This includes providing improved opportunities for Australian carriers in the form of commercial alliances and co-operative arrangements. These arrangements significantly benefit the international aviation marketplace by increasing competition and choice for Australian and foreign travellers on international routes to and from Australia.

The proposed expanded alliance between Qantas Airways and American Airlines is, in the Department's view, compatible with these objectives.

Since 2011, the alliance has benefitted Australian consumers by allowing Qantas to offer its customers better access to destinations within the United States whilst

boosting Australia's tourism industry by increasing the ability for both airlines to market and sell tickets to Australian destinations.

Information on the state of the Australia-US market since the alliance's commencement is provided at Attachment A.

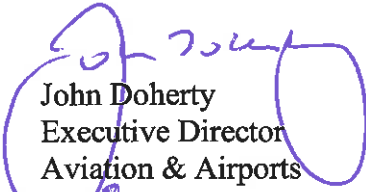
It shows that since 2011, capacity (measured in available seats) has outstripped growth, suggesting the Qantas/American Airlines alliance has not unduly decreased competition since its inception. In 2014, Qantas carried 47.5 per cent of passengers in the Australia-US market. Although this indicates the Qantas/American Airlines alliance has significant market share, considerable competition also exists from the Virgin/Delta alliance and United Airlines, who has an alliance with Air New Zealand. The Qantas/American Airlines alliance is also continuing to provide a strong competitive counterweight to the Virgin/Delta alliance.

In recent years Australian airlines have experienced some financial pressures, consistent with the situation faced more generally by all international airlines, although this would appear to be moderating in more recent times. The Department considers the deepening of the alliance will facilitate enhanced sustainability for Qantas' international services, while also supporting additional services such as American Airlines' anticipated Sydney-Los Angeles flights which would otherwise be unlikely to be commercially viable. The Department also recognises this arrangement will support the recommencement of Qantas services to San Francisco, providing competition to United Airlines.

The Department also notes there are no economic regulatory barriers preventing other airlines from Australia or the United States from entering the Australia-US market. An international airline of either country (or carriers of some other third party countries) could immediately commence or increase Australia-US services, should they choose to do so.

Thank you again for inviting the Department to provide a submission. I can be contacted on (02) 6274 7086 if you require any additional information or should you wish to discuss this matter further.

Yours sincerely

  
John Doherty  
Executive Director  
Aviation & Airports  
2 July 2015

## Attachment A

<b>Year</b>	<b>Airline</b>	<b>Flights</b>	<b>Passengers</b>	<b>Seats</b>	<b>Seat Utilisation</b>
<u>2011</u>	Delta Air Lines	720	166,158	196,344	84.60%
	Hawaiian Airlines	532	119,869	135,303	88.60%
	Jetstar	459	115,980	138,451	83.80%
	Qantas Airways	4,768	1,165,070	1,347,352	86.50%
	United Airlines	1,541	481,425	576,334	83.50%
	Virgin Australia	1,371	435,953	494,931	88.10%
			<b>9,391</b>	<b>2,484,455</b>	<b>2,888,715</b>
<u>2012</u>	Air Australia	75	13,738	20,475	67.10%
	Delta Air Lines	726	159,686	195,294	81.80%
	Hawaiian Airlines	688	156,779	186,963	83.90%
	Jetstar	602	149,564	183,344	81.60%
	Qantas Airways	4,561	1,221,415	1,425,422	85.70%
	United Airlines	1,449	442,798	541,926	81.70%
	Virgin Australia	1,454	418,806	524,894	79.80%
		<b>9,555</b>	<b>2,562,786</b>	<b>3,078,318</b>	<b>83.30%</b>
<u>2013</u>	Air Canada	1	108	270	40.00%
	Delta Air Lines	729	168,295	196,101	85.80%
	Hawaiian Airlines	1,114	240,777	315,726	76.30%
	Jetstar	813	192,789	247,669	77.80%
	Qantas Airways	4,293	1,253,095	1,465,802	85.50%
	United Airlines	1,430	427,880	534,820	80.00%
	Virgin Australia	1,445	419,649	521,645	80.40%
		<b>9,825</b>	<b>2,702,593</b>	<b>3,282,033</b>	<b>82.30%</b>
<u>2014</u>	Delta Air Lines	726	176,386	202,950	86.90%
	Hawaiian Airlines	1,116	242,004	314,408	77.00%
	Jetstar	892	217,922	270,857	80.50%
	Qantas Airways	4,323	1,287,666	1,533,840	84.00%
	United Airlines	1,436	370,384	459,994	80.50%
	Virgin Australia	1,437	414,683	518,757	79.90%
			<b>9,930</b>	<b>2,709,045</b>	<b>3,300,806</b>