



## Australian Government

### Department of Infrastructure, Transport, Regional Development and Communications

File Reference: 09/8758

Mr Darrell Channing  
Director  
Competition Exemptions  
Australian Competition and Consumer Commission  
GPO Box 3131  
CANBERRA ACT 2601

Dear Mr Channing

**Qantas Airways Limited and American Airlines Inc—Applications for revocation of authorisations A91502 & A91503 and substitution of new authorisation AA1000532; and Interim Authorisation**

Thank you for your letter of 29 October 2020. The Department of Infrastructure, Transport, Regional Development and Communications (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 and Interim Authorisation for a seamless continuation of the existing joint business into 2021. The proposal raises many of the issues the Department has covered in its previous submissions to the ACCC on this 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.

In addition to the provision of own aircraft services, the international aviation marketplace benefits significantly from the ability of airlines to enter into commercial alliances and co-operative arrangements. This is particularly the case for airlines based in geographic regions which are not a natural 'hub' for airline services, such as

Australia. As a result, a key Australian objective in negotiating air services arrangements is to ensure Australian airlines are provided the maximum possible flexibility to pursue commercial alliances

The proposed reauthorised alliance between Qantas Airways and American Airlines is, in the Department's view, compatible with these over-arching 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.

The number of airlines operating on United States-Australia routes remained steady from 2014 to 2019. Since 2014, published data shows that capacity offered has grown in line with demand and that Qantas has carried a similar percentage of passengers on similar capacity over this time. This suggests that 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 compared to 48 per cent in 2019. Although this indicates the Qantas/American Airlines alliance has significant market share, considerable competition also existed pre COVID-19 from the Virgin/Delta alliance and United Airlines, which has an alliance with Air New Zealand.

The impact of COVID-19 on the airline industry has been widely reported. It is not clear how markets will respond and a return to pre COVID-19 level of air traffic are expected to take time. The Department considers extending the Qantas /American Airlines alliance will help facilitate sustainable services for Qantas' international operations when regular flights re-commence in the anticipated recovery period post COVID-19. This recovery may take most of the timeframe sought in this approval to be realised. The impact of this request on supporting recovery and facilitating a strong foundation for longer-term competition is significant.

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 post COVID-19. 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 [REDACTED] if you require any additional information or should you wish to discuss this matter further.

Yours sincerely



Jason Dymowski  
Assistant Secretary  
COVID Domestic Policy and Programs  
27 November 2020