



PUBLIC REGISTER VERSION

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BY EMAIL

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Dear Mr Hilton

Qantas Airways Limited & China Eastern (AA1000624-1) (Application): Response to ACCC Request for Information

Thank you for your email dated 2 May 2023. Qantas sets out its response below, which replicates the ACCC's questions in the email for ease of reading. Capitalised terms in this submission have the same meaning as set out in the Application.

This response includes material which is confidential to Qantas and China Eastern, highlighted in green below. A public version of this response will be provided separately.

1. Description of Proposed Conduct

The ACCC has proposed additional text describing the Proposed Conduct. The Parties note that the Application defined the Proposed Conduct as being the Extended Joint Coordination Agreement, a copy of which was provided as Confidential Annexure B with the Application.

The Parties are happy for the description of the Proposed Conduct to be elaborated as follows, subject to confidentiality claims as marked:

The Applicants seek re-authorisation for themselves and their related bodies corporate under the terms of the Extended JCA, which provides for the Applicants to coordinate in respect of:

- *improving schedules, frequencies and connection times;*
- *enabling the potential expansion of destinations served by the Applicants' operations;*
- *expanding connecting services at primary gateways leading to more one-stop online points of service*
- *pricing, including developing new fare products and promotions;*
- *improving reciprocal inventory access to facilitate more bookings on both Applicants' services, including group bookings;*
- *expanding reciprocal airport lounge access, improving facilities within lounges and streamlining check-in facilities for passengers;*
- *increasing opportunities and benefits for members of both Applicants' frequent flyer programs;*
- *increasing the international competitiveness of both Applicants; and*
- *easing the planning of itineraries through the provision of better information to agents.*



Under the terms of the Extended JCA, the Applicants may coordinate activities in respect of freight operations, sales and marketing (including joint promotions), holiday products and packages, distribution, customer rebates, incentives and discounts, agency arrangements, ground handling and airport services.

The Applicants may also seek to jointly procure goods and services which include inflight catering, lounges, logistics, corporate services, inflight goods and services, crew accommodation, labour hire, airport charges, fuel, ground handling, aircraft maintenance, inflight entertainment and aircraft components.

The Applicants have agreed to allow sales of each other's services on a freesale basis and will pay each other [REDACTED CONFIDENTIAL] regardless of which carrier's code or ticket the passenger is travelling on. By selling in this way, each carrier has the ability to sell each other's capacity using the full range of available inventory (i.e. each carrier has access to every seat on the other carrier's flights which are operated between Australia and China).

The Applicants utilise a model of 'metal neutrality' under which each party would be indifferent as to whether it sold tickets for a flight operated using its own aircraft or a flight operated using its partner's aircraft. [REDACTED CONFIDENTIAL]

2. Other Requested Information

The reason for Jetstar terminating flights to China, and whether Qantas expects Jetstar to restart these flights before 31 March 2024.

Jetstar previously operated a service between Melbourne and Zhengzhou in 2019. This service was underwritten by a travel agent (broadly akin to a charter arrangement) and that arrangement ceased in December 2019. Jetstar has no plans to re-commence this service, or any other service, between Australia and China in the foreseeable future. For completeness, we note that Jetstar Asia and Jetstar Japan operate services to/from China and Japan/Singapore respectively.

The estimated timeline under which the Applicants would engage in the following activities through which the Applicants submit the conduct would generate tourism recovery and trade benefits:

- **promotions attracting Chinese tourists to Australia and Australian tourists to China;**
- **strengthened use of co-branded marketing material and continue the calendar of awareness programs to improve knowledge of the alliance among travel agents.**

Qantas promotional activity for China services will commence soon (in Financial Year 2024) and will focus on the recommencement of the Sydney-Shanghai flight in October. The specific types of joint marketing activity and the development of co-branded material is subject to further discussion with China Eastern. Engagement is being planned. For completeness, we note that the parties are also working on resolving a technical issue with Travelsky (China Eastern's IT provider) which is currently preventing the sale of Qantas' code on China Eastern services. This issue needs to be resolved before marketing of the joint network can properly occur.

Please let us know if the ACCC has any questions or requires any further information.

Yours faithfully

Nicole Malone
Head of Competition & Consumer
[REDACTED CONFIDENTIAL]