



## PUBLIC REGISTER VERSION

10 March 2023

### BY EMAIL ONLY

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Dear Mr Hilton

### **Qantas Airways Limited & China Eastern (AA1000624-1) (the Application) Response to ACCC request for information**

Thank you for your email dated 8 March 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.

### **Confidentiality**

This response includes material which is confidential to Qantas, and confidentiality markings are included below. A public version of this response will be provided in due course.

Highlighting code:

**Qantas confidential information to be redacted from public version**

### **1. Please clarify Qantas' intentions with respect to reinstating capacity between Sydney and Shanghai?**

As set out in our letter to the ACCC on 15 February 2023, Qantas intends to re-commence a daily Sydney-Shanghai service using A330 aircraft in the Northern Winter 2023 season (commencing 29 October 2023). These services are currently published and being sold.

### **2. Please explain the reasons why Qantas has pushed back their original plans for reinstating services in March 2023, as submitted in the application for re-authorisation?**

There are a number of factors impacting Qantas' date for reinstating services on the Sydney-Shanghai route.

As set out in our letter to the ACCC on 15 February 2023, Qantas is still managing several operational and regulatory challenges including aircraft availability. For the international network in particular, this includes the timeliness for the A380 return to service which has meant that other fleet have needed to cover routes normally flown using that aircraft. Qantas has also had limited flexibility in respect of its ability to deploy or



redeploy cabin crew across its network at short notice, because of the need to complete hiring and training programs reinstated post-covid.

Significant operational plans could only begin to be fully actioned when the Chinese authorities had announced the opening of borders. The operational considerations include but are not limited to, allocating fleet time, crew resourcing, hiring local staff, confirming contractual arrangements for catering, lounge, third-party overwing and underwing services, managing slot applications and obtaining regulatory approvals of filed schedules (liaising with the Department of Infrastructure, Transport, Regional Development, Communication and the Arts in Australia and with the Civil Aviation Administration of China).

Each of these require lead-time and investment, all dependent on an operational commencement date. In the early part of 2023, without certainty of China's borders being opened, Qantas had already begun to allocate its assets to existing routes in need of additional capacity and/ or new routes to enable the utilisation of available crew and fleet assets. Given scheduling/planning generally works on a seasonal basis (a year divided into two seasons - Northern Summer and Northern Winter), assets had to be committed and deployed with sufficient lead-time for the Northern Summer season.

Taken together, these various factors led to Qantas' decision to defer the restart of the Sydney-Shanghai route from March to October 2023. For completeness, we note that **REDACTED QF CONFIDENTIAL**

**3. Please clarify and provide information on Qantas' current and forecasted passenger demand for services between Australia and China/Sydney and Shanghai?**

Qantas continues to closely monitor demand in both POS Australia and POS China.

In respect of POS Australia demand, the testing requirements in China<sup>1</sup> and Government advice to exercise caution due to ongoing local COVID-19 restrictions have been considered factors likely to deter travel, with passengers preferencing other destinations (most have no restrictions in place). Qantas notes that on 10 March 2023, the Australian Government announced that it would be lifting restrictions on flights from China landing in Australia with effect from 11 March 2023. This should assist with re-generating demand.

In short, while there has been a rebound in demand as the border has opened, recovery is still expected to be patchy. Consumers are likely to continue to perceive a relatively higher risk around the potential for disruption / potential for restrictions or border closures in relation to China, relative to travelling on other routes. In respect of POS China demand, whilst student traffic has ramped up, holiday leisure passenger demand is likely to be slow to return to pre-pandemic levels. Additionally, demand on the route is likely to be dampened in both POS due to geopolitical tensions over the pandemic period.

Over the longer term, however, Qantas expects demand from both POS to recover and eventually exceed pre-pandemic levels, and this will be reflected in the eventual build-back of capacity by the various carriers operating between Australia and China. Currently, market capacity levels are forecast as follows:

- on the Australia-Shanghai route, FY23 10% of pre-covid capacity (based on published schedules); FY24 approximately 50% of pre-covid capacity; FY25 approximately 80% pre-covid capacity; and
- on Australia-China services, FY23: 14% of pre-covid capacity (based on published schedules); FY24 approximately 50% of pre-covid capacity; FY25 approximately 75% pre-covid capacity.

**4. If it is not covered in the above question, please provide any data or information available to Qantas that the ACCC can consider regarding passenger demand for Australia and China services.**

Please see above response.

**5. In light of the Qantas' current plans to reinstate capacity and the forecasted passenger demand between Australia and China, what will be Qantas' response if passenger demand between Australia and China recovers sooner than expected by Qantas?**

In the event that passenger demand between Australia and China recovers sooner than expected, with authorisation of the Proposed Conduct, the priority for Qantas would be to continue to work with China Eastern to maximise access to available inventory on China Eastern's reinstated services to provide

<sup>1</sup> See further: [Notice on Covid-19 Prevention and Control Requirements for China-bound Travelers \(china-embassy.gov.cn\)](https://china-embassy.gov.cn)

consumers with a direct operation on Sydney-Shanghai. Qantas would also utilise its current own-operated and partner network to carry traffic to/from China, albeit indirectly. [REDACTED QF CONFIDENTIAL]

**6. Please provide specific examples of operational changes depending on different levels of passenger demand.**

Please see above response.

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

Yours faithfully

*Qantas*  
Nicole Malone  
Head of Competition & Consumer  
[REDACTED QF CONFIDENTIAL]