APPLICATION FORM: NON-MERGER AUTHORISATION

Parties to the proposed conduct

1. Provide details of the applicants for authorisation, including:

1.1. name, address (registered office), telephone number and ACN

Qantas Airways Limited
ABN 16 009 661 091
10 Bourke Road
Mascot NSW Australia 2020
Phone details below

Japan Airlines Co Ltd
2-11-4 Higashi-Shinagawa
Shinagawa-ku, Tokyo
140-8637

1.2. contact person's name, position, telephone number and email address

Qantas
Michele Laidlaw
Head of Legal – Group Legal
Qantas Airways Limited
Phone: [redacted]
Email: [redacted]

Japan Airlines
Shinya Kagamiyama
Head of Legal, Legal Council
Phone: [redacted]
Email: [redacted]

Naoko Yamamoto
Manager, Legal Affairs
Phone: [redacted]
Email: [redacted]

1.3. a description of business activities

The provision of domestic and international passenger and freight services. Please refer to the submission for further details.

1.4. email address for service of documents in Australia.

Qantas: [redacted]

Japan Airlines: [redacted] [redacted]

2. If applicable, provide details of the other persons and/or classes of persons who also propose to engage, or become engaged, in the proposed conduct and on whose behalf authorisation is sought. Where relevant provide:

2.1. name, address (registered office), telephone number and ACN

2.2. contact person's name, telephone number and email address

2.3. a description of business activities.

Not applicable. Details of the Applicants are listed above and a list of relevant related bodies corporate is contained within Annexure A to the submission.

The proposed conduct

3. Provide details of the proposed conduct, including:

3.1. a description of the proposed conduct and any documents that detail the terms of the proposed conduct

The Applicants wish to commence coordination under the Joint Business Agreement (JBA) and associated commercial agreements under which they will coordinate to rebuild operations between and within Australia/New Zealand and Japan for three years. Please refer to the submission for further detail including the commercial agreements in Confidential Annexure B.

3.2. the relevant provisions of the Competition and Consumer Act 2010 (Cth) (the Act) which might apply to the proposed conduct, ie: • cartel conduct (Division 1 of Part IV) • contracts, arrangements or understandings that restrict dealings or affect competition (s. 45) • concerted practices (s. 45) • secondary boycotts (sections 45D, 45DA, 45DB, 45E, 45EA) • misuse of market power (s. 46) • exclusive dealing (s. 47) • resale price maintenance (s. 48) and/or • a dual listed company arrangement (s. 49)

The provisions of the Act which may apply to the Proposed Conduct are:

- cartel conduct (Division 1 of Part IV);
- contracts, arrangements or understandings that restrict dealings or affect competition (section 45); and
- concerted practices (section 45).

3.3. the rationale for the proposed conduct

Please refer to the submission.

3.4. the term of authorisation sought and reasons for seeking this period. By default, the ACCC will assume you are seeking authorisation for five years. If a different period is being sought, please specify and explain why.

Please refer to the submission. The Applicants seek authorisation for three years from the date of approval.

In addition, the Applicants seek interim authorisation to enable necessary planning and coordination to commence as soon as possible.

4. Provide documents submitted to the applicant's board or prepared by or for the applicant's senior management for purposes of assessing or making a decision in relation to the proposed conduct and any minutes or record of the decision made.

Please see Confidential Annexures G and H to the submission.

5. Provide the names of persons, or classes of persons, who may be directly impacted by the proposed conduct (e.g. targets of a proposed collective bargaining arrangement; suppliers or acquirers of the relevant products or services) and detail how or why they might be impacted.

N/A

Market information and concentration

6. Describe the products and/or services, and the geographic areas, supplied by the applicants. Identify all products and services in which two or more parties to the proposed conduct overlap (compete with each other) or have a vertical relationship (e.g. supplier-customer).

Please refer to the submission.

7. Describe the relevant industry or industries. Where relevant, describe the sales process, the supply chains of any products or services involved, and the manufacturing process.

Please refer to the submission.

8. In respect of the overlapping products and/or services identified, provide estimated market shares for each of the parties where readily available.

Please refer to the submission.

9. In assessing an application for authorisation, the ACCC takes into account competition faced by the parties to the proposed conduct. Describe the factors that would limit or prevent any ability for the parties involved to raise prices, reduce quality or choice, reduce innovation, or coordinate rather than compete vigorously. For example, describe:

9.1. existing competitors

9.2. likely entry by new competitors

9.3. any countervailing power of customers and/or suppliers

9.4. any other relevant factors.

Please refer to the submission.

Public benefit

10. Describe the benefits to the public that are likely to result from the proposed conduct. Provide information, data, documents or other evidence relevant to the ACCC's assessment of the public benefits.

Please refer to the submission.

Public detriment (including likely competitive effects)

11. Describe any detriments to the public likely to result from the proposed conduct, including those likely to result from any lessening of competition. Provide information, data, documents, or other evidence relevant to the ACCC's assessment of the detriments.

Please refer to the submission.

Contact details of relevant market participants

12. Identify and/or provide names and, where possible, contact details (phone number and email address) for likely interested parties such as actual or potential competitors, key customers and suppliers, trade or industry associations and regulators.

The conduct is generally relevant to participants in the Australian and Japanese aviation and tourism industries (including airlines, national and regional tourism bodies, airports), as well as the Australian travelling public and businesses who rely on trade and travel to and from Japan.

Additional information

13. Provide any other information or documents you consider relevant to the ACCC's assessment of the application.

Please refer to the submission.

Declaration by Applicant(s)

Authorised persons of the applicant(s) must complete the following declaration. Where there are multiple applicants, a separate declaration should be completed by each applicant. The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere. The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application. The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).

Signature of Authorised Person: ________ ______________________________

Office Held: General Counsel and Group Executive, Office of the CEO, Qantas Airways Limited

Name of Authorised Person: Andrew Finch

This 18 of December 2020

Declaration by Applicant(s)

Authorised persons of the applicant(s) must complete the following declaration. Where there are multiple applicants, a separate declaration should be completed by each applicant. The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere. The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application. The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).

Signature of Authorised Person: ____________

Office Held: Management Executive Officer General Affairs

Name of Authorised Person: Hidetsugu Ueda

This [18] of December 2020

Public Register Version

Application for Authorisation and Interim Authorisation

QANTAS

JAL

Joint Business Agreement

Submission to the Australian Competition & Consumer Commission

18 December 2020

EXECUTIVE SUMMARY

Qantas Airways Limited (**Qantas**) and Japan Airlines Co Ltd (**JAL**) and their relevant related bodies corporate[1] (together, the **Applicants**) apply to the Australian Competition and Consumer Commission (**Commission**) seeking authorisation and urgent interim authorisation of the Joint Business Agreement (**JBA**) and associated agreements for three years,[2] through which they will rebuild operations across a range of routes between Australia/New Zealand and Japan as demand recovers (the **Proposed Conduct**). Equivalent applications are being made to the Ministry of Infrastructure, Land and Transport in Japan (**MLIT**) and to the New Zealand Minister of Transport (**NZMOT**).

Air passenger services between Australia and Japan have always been a vital element of the long standing strong political and economic ties between the two countries, yet the airline industry remains in crisis as a result of the coronavirus Pandemic. The flight, entry and quarantine restrictions imposed by Governments globally have impacted the industry with unprecedented severity and caused a precipitous decline in demand. Critically, it has been forecast that it will be at least 2024 by the time global passenger traffic recovers to pre-Pandemic levels.[3]

The Pandemic has forced a $4 billion revenue impact on Qantas in the second half of financial year 2020, contributing to a $2.7 billion statutory loss before tax in the 2020 financial year.[4] Qantas continues to undergo a massive business restructuring as a result, including the continued stand down of employees and a reduction of its workforce by at least 8,500 roles across all parts of the business. JAL has also experienced a significant decrease in operating revenue of 194.7 billion yen, down 74 per cent year-over-year, recording a loss of 161.2 billion yen during April-September 2020. With international passenger demand decreasing by 97.7 per cent and international passenger revenue down 96.6 per cent year-on-year, JAL plans to retire a total of 24 Boeing 777 fleet by the end of financial year 2022.

The Qantas Group has been forced to suspend all passenger operations to Japan and JAL is currently operating only a limited three weekly passenger service between Tokyo and Sydney.[5] On 8 December 2020, the Australian Government extended the ban on outbound international travel for a further three months until 17 March 2021.[6] Even with a relaxation of travel restrictions in coming months, demand for travel ex-Japan is expected to be slow to recover, given potential restrictions on leisure travel as part of any 'travel bubbles' and a history of consumer conservativism in the wake of industry disruption. As explained further below, JAL has modelled that poor demand forecasts will mean that, absent the Proposed Conduct, **[REDACTED - CONFIDENTIAL]**

The Proposed Conduct is critical to sustainably restoring air links across a wide range of routes between Australasia and Japan. As demand recovers and borders open, the Applicants' combined selling engines will facilitate key consumer benefits which would not otherwise occur. Together, the Applicants will be able to offer:

- increased frequencies and improved connectivity over a more diverse number of city pairs between Australia and Japan, which will drive consumer confidence and rebuild the crippled tourism industries and state and regional economies. Specifically, rather than crowding the Sydney-Tokyo route with overlapping flying, the Applicants will deliver improved schedule choice to more destinations through:

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[1] See Annexure A which is a list of the Applicants' related bodies corporate covered by this Application.
[2] See Confidential Annexure B.
[3] International Air Transport Association media release 'Recovery delayed as international travel remains locked down,' 28 July 2020. Available: https://www.iata.org/en/pressroom/pr/2020-07-28-02/ Additionally, IATA noted that Australia is recovering slowly from the steepest slump in domestic revenue per passenger kilometre of any large country, with a 94% drop compared to June 2019.
[4] See Qantas media release 'Qantas Group FY20 Financial Results – Navigating Exceptional Conditions,' 20 August 2020. Available: https://www.qantasnewsroom.com.au/media-releases/qantas-group-fy20-financial-results-navigating-exceptional-conditions/
[5] Note that Qantas is currently operating a once weekly freighter service from Brisbane to Narita under the government supported International Freight Assistance Mechanism program. JAL is also operating a limited freight service to Melbourne and Brisbane through to February 2021.
[6] Hon Greg Hunt, Minister for Health, 'Extending the human biosecurity emergency period by three months', media release dated 8 December 2020. Available: https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/extending-the-human-biosecurity-emergency-period-by-three-months

- a more certain and sustainable reinstatement of services operated by both carriers on routes from Sydney to Tokyo;
- an accelerated reinstatement of daily services operated by both carriers from Melbourne to Tokyo, with the ability to offer complimentary schedules giving consumers more choice;
- an accelerated reinstatement of services **[REDACTED - CONFIDENTIAL]** on the Qantas operated Brisbane-Tokyo route;
- a faster return **[REDACTED - CONFIDENTIAL]** of Qantas services from Sydney to Osaka;
- a faster return **[REDACTED - CONFIDENTIAL]** of Qantas services from Sydney to Sapporo; and
- potentially increased frequencies and/or gauge operated by Qantas on the Tasman, if the additional codeshare services generate higher loads of passengers transiting from New Zealand onto Japan via Australia; and
- the introduction of new services between Australia and Japan, being **[REDACTED - CONFIDENTIAL]**

In addition, the Proposed Conduct will enable the Applicants to:

- expand the existing codeshare relationship between Qantas and JAL, giving consumers seamless connectivity and increased schedule choice on routes between Australia and Japan as well as through access to more destinations 'behind and beyond' the major city gateways. For example, Qantas customers will have access to 14 new codeshare ports in Japan and JAL customers will have access to 15 new codeshare ports in Australia and New Zealand. This will include expanded codesharing on the Tasman, facilitating new routings between New Zealand and Japan via Australia;
- offer enhanced frequent flyer benefits for Qantas and JAL customers, including improving earn for members of the other carrier's frequent flyer program on joint business routes and prioritising all necessary work to offer customers the ability to upgrade on the other carrier using points/miles;
- invest in customer service and product improvements over the longer term, including through streamlined processes for customer re-accommodation in the event of flight disruption or delays and improving in-flight product and on-ground service. The Applicants will work together to make multi-sector travel easier for passengers with disabilities, those travelling with infants and children travelling alone. There will also be opportunities for sharing best practice in relation to on-board products such as meals that cater to particular passenger preferences, as well as close cooperation in relation to COVID-19 testing and vaccine verification processes;
- provide a better proposition for corporate travellers between Australia and Japan, which would otherwise be limited by the fact that Qantas' available fleet has restricted business class seats and no premium economy seats. Specifically, Qantas will be able to market and sell 16 additional business class seats and 35 premium economy seats per flight through access to JAL's inventory, compared to if it were restricted to selling only its own operated services;[7]
- offer a variety of fare products and price points to consumers, made possible through coordinated inventory management between Qantas and JAL; and

[7] Based on a comparison with Qantas A330-300 aircraft, which are configured with Business and Economy cabins.

- critically, re-stimulate tourism and trade to and within Australia through joint sales and marketing with a particular focus on campaigns in Japan showcasing Australia, building on the capacity, frequency, codeshare and other customer benefits outlined above as well as through potential opportunities to increase access to shared cargo space and provide increased supply chain certainty.

Importantly, the Proposed Conduct will also have a broader restorative effect by helping to support the reinstatement of capacity across other parts of Qantas' international network. As a result of the Proposed Conduct, Qantas will be better able to sustainably direct resources to other markets to rebuild links to other countries. In turn, this will increase the public benefits to the Australian tourism industry and economy more generally. These benefits will grow in meaning and utilisation as demand recovery builds over time, with the Proposed Conduct helping to provide certainty and therefore paving the way for Australia to be regarded as a safe destination for business and leisure travellers.

By contrast, without authorisation, Qantas' Australia-Japan services will carry higher degrees of risk, will be less diversified in scope and, in the case of Brisbane-Tokyo, Sydney-Osaka and Sydney-Sapporo services, will be slower to be reinstated. In addition, there will be no prospect of new city pairs being served. **[REDACTED - CONFIDENTIAL]**

Similarly, without the Proposed Conduct, JAL **[REDACTED - CONFIDENTIAL]**

The Applicants therefore seek urgent interim authorisation on the basis that:

- the Proposed Conduct inherently benefits consumers and will be implemented in a market which continues to be intensely competitive notwithstanding the impacts of the Pandemic, with major operators including All Nippon Airways (**ANA**), Cathay Pacific and Singapore Airlines actively vying for customers;

- the Applicants must commence working together immediately to plan the recovery, through coordinated sales and marketing of the reinstated services (including supporting JAL's existing limited Sydney-Tokyo service);

- without interim authorisation, there will be ongoing uncertainty and financial harm, given delays in the ability for the Applicants to plan the reinstatement and joint selling of services. As noted above, the longer it takes for the Proposed Conduct to be implemented **[REDACTED - CONFIDENTIAL]**; and

- interim authorisation will not cause detriment to others or give rise to permanent changes which would prevent the market returning to its pre-authorisation state if final authorisation is not granted, particularly in circumstances where the market remains in a state of severe disruption and flux, Qantas is not currently operating to Japan and JAL's current flying does not represent its proposed ongoing proposition.

Moreover, the sooner the Proposed Conduct can be implemented, the sooner Qantas will be able to sustainably rebuild capacity to other markets which will in turn boost the Australian tourism industry and economy more generally.

THE APPLICANTS

Qantas

Qantas was incorporated in Queensland, Australia in 1920. Prior to the Pandemic, Qantas operated more than 4,500 flights per week in Australia and over 730 flights internationally. Qantas also operates airline related businesses including freight operations, loyalty programs and engineering.

The international destinations to which Qantas operated prior to the Pandemic are set out in Table 1 below and in the route map included as Annexure C to this submission. All of these services have been impacted by the Pandemic and operations are being monitored regularly.[8]

Table 1: Qantas International Destinations (Ex Australia), Pre-Pandemic

Region	Destinations
Pacific	Auckland, Christchurch, Wellington, Queenstown, Noumea, Port Moresby, Nadi
Asia	Tokyo Haneda, Tokyo Narita, Sapporo, Osaka, Bangkok, Hong Kong, Jakarta, Manila, Shanghai, Singapore, Bali-Denpasar
Europe	London Heathrow
Americas	Dallas/Fort Worth, New York, Los Angeles, San Francisco, Honolulu, Santiago, Vancouver
Africa	Johannesburg

As at March 2020 (pre-Pandemic), the Qantas Group had a total passenger fleet of over 270 aircraft, comprising Boeing 787s, 747s, 737s and 717s, Airbus A380s, A330s, A321s and A320s, Bombardier Dash 8s and Bombardier Q400s and Fokker 100s. As a result of the Pandemic, Qantas brought forward the retirement of the Boeing 747 fleet and placed all of its A380 fleet into semi-permanent storage.

The Qantas Group is currently a party to alliances with each of:

- Emirates (re-authorised until 2023 by the Commission on 23 March 2018[9]);
- China Eastern (in relation to which the Commission granted interim authorisation on 7 September 2020 and a draft determination on 3 December 2020[10] proposing to permit an extension of the alliance until March 2022[11]); and
- American Airlines (in relation to which Qantas and American submitted an application for interim authorisation and re-authorisation to the Commission on 19 October 2020[12]).

None of the above alliances include any routes to or from Japan.

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[8] Please see Qantas Group announcement on 10 March 2020. Available: See https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response/. See also: https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response-2/ and https://www.qantasnewsroom.com.au/media-releases/qantas-group-outlines-customer-and-employee-impact-of-coronavirus-related-network-cuts/

[9] Commission Determination in relation to Applications for Revocation and Substitution lodged by Qantas Airways Limited and Emirates in respect of a Restated Master Coordination Agreement to coordinate air passenger and cargo transport operations and other related services Authorisation Number AA1000400, 28 March 2018. Available: https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-airways-limited-emirates

[10] See Commission Draft Determination dated 3 December 2020 proposing to grant authorisation in relation to Application for Revocation and Substitution lodged by Qantas and China Eastern Airlines Corporation Limited in respect of the Joint Coordination Agreement, 31 July 2020. Available: https://www.accc.gov.au/system/files/public-registers/documents/Draft%20Determination%20Decision%20-%2003.12.20%20-%20PR%20-%20AA1000526%20-%20Qantas%20CEA.pdf

[11] See Commission Determination dated 7 September 2020 to grant interim authorisation in relation to Application for Revocation and Substitution lodged by Qantas and China Eastern Airlines Corporation Limited in respect of the Joint Coordination Agreement, 31 July 2020. Available: https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-airways-limited-and-china-eastern-airlines-corporation-limited

[12] See Application for Revocation and Substitution lodged by Qantas and American Airlines in respect of the Restated Joint Business Agreement and associated agreements, 19 October 2020. Available: https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-american-airlines

Jetstar

Jetstar is a vital part of the Qantas Group's domestic and international operations. It operates low-cost, value-based services in domestic Australia and, prior to the Pandemic, to the international destinations shown in Table 2 below. Again, all of these services have been impacted by the Pandemic and operations are being monitored regularly.[13]

Table 2: Jetstar International Destinations, Pre-Pandemic

Region	Destinations
Pacific	Auckland, Christchurch, Queenstown, Wellington, Nadi, Rarotonga
South East Asia	Bangkok, Phuket, Bali-Denpasar, Ho Chi Minh City, Singapore
North East Asia	Osaka, Tokyo-Narita, Seoul-Incheon
Americas	Honolulu

As set out below, Jetstar focuses on low cost point to point operations between Australia and Japan and, pre-Pandemic, served routes from Queensland to Japan. While Jetstar is included in this application[14] and would participate in joint business decision making, the primary focus of commercial coordination will be between Qantas and JAL given the compatibility between full service carrier offerings and network connectivity.

More information about the Qantas Group, including the latest network information, is available at www.qantas.com.

JAL

JAL was incorporated in Tokyo, Japan in 1951. Prior to the Pandemic, JAL operated more than 6,000 flights per week in Japan and over 1,000 flights internationally. JAL also operates airline related businesses including freight operations, loyalty programs and engineering.

The international destination cities to which JAL operated prior to the Pandemic are set out in Table 3 below and in the route maps included as Annexure D to this submission. All of these services have been impacted by the Pandemic and operations are being monitored regularly.

Table 3: JAL International Destinations, Pre-Pandemic

Region	Destinations
East Asia	Beijing, Shanghai, Tianjin, Dalian, Guangzhou, Hong Kong, Seoul, Busan, Taipei, Kaohsiung
Southeast Asia, India	Hanoi, Ho Chi Minh City, Manila, Singapore, Kuala Lumpur, Bangkok, Jakarta, Delhi

[13] Please see Qantas Group announcement on 10 March 2020. Available: See https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response/ See also: https://www.qantasnewsroom.com.au/media-releases/qantas-group-update-on-coronavirus-response-2/ and https://www.qantas.com/au/en/travel-info/travel-updates/coronavirus.html

[14] Jetstar Japan – a joint venture operation between Jetstar and JAL in relation to domestic and short haul international services from Japan – is the subject of separate anti-trust approvals in Japan. Jetstar Japan is not included in the scope of this application as it will not be involved in commercial coordination on long haul international routes between Australasia and Japan.

Region	Destinations
Europe	London, Paris, Frankfurt, Helsinki, Moscow, Vladivostok
USA	Los Angeles, San Francisco, Seattle, San Diego, Chicago, Dallas-Fort Worth, New York, Boston, Honolulu, Kona, Vancouver
Australia	Sydney, Melbourne

As at March 2020 (pre-Pandemic), the JAL Group had a total passenger fleet of 241 aircraft, comprising Airbus A350s, Boeing 787s, 777s, 767s, 737s, Embraer 170s, 190s, Bombardier D8-400CCs, Saab 340Bs, ATR 42s and 72s. As noted earlier, as part of its cost reduction measures as a result of the Pandemic, JAL plans to retire a total of 24 Boeing 777 aircraft by the end of financial year 2022.

The JAL Group is a member of the **one**world alliance and has been engaged in joint businesses with American Airlines over the Trans-Pacific routes since April 2011, over the Trans-Siberian routes with British Airways since October 2012, with Finnair since April 2014 with Iberia since October 2016 and with Malaysia Airlines over the Japan-Malaysia routes since July 2020.

More information about JAL is available at www.jal.co.jp

AUSTRALASIA-JAPAN MARKET

Australia-Japan

Air passenger services between Australia and Japan have always been a critical element of the long standing strong economic ties between the two countries. As set out below, the routes are highly competitive with major carriers vying for traffic on both direct and indirect routes through intense price competition.

Urgent interim authorisation of the Proposed Conduct is imperative so that the Applicants can commence planning to rebuild Australasia-Japan capacity as quickly and as sustainably as possible to re-stimulate demand across a diverse range of routes. This will provide increased certainty and choice to passengers and more effectively re-connect tourism, corporate and trade markets and ultimately facilitate capacity growth as demand recovers.

This application must be assessed having regard to the significance of the Australia-Japan relationship, as recognised by the Australian Government: *"The Special Strategic Partnership between Australia and Japan has never been stronger…And long-standing trade and investment links, that form the foundation of our bilateral relationship."*[15] Japan was Australia's second-largest trading partner in 2018-2019, valued at a record $88.5 billion, reflecting a rise in two-way trade of around 26 per cent since the Japan Australia Economic Partnership Agreement (JAEPA) started five years ago.[16] The commitment to the relationship and continuing efforts to enhance the bilateral economic cooperation was reinforced in May 2020 at the Australia-Japan Joint Ministerial Statement in Response to the Pandemic[17] and in the Prime Minister of Australia's recent visit to Japan.

Air passenger services provide vital tourism links between Australia and Japan. Japan was Australia's fifth largest inbound market in 2019, with an increase in short-term arrivals of 6.3 per cent on the previous year. The significance of Japan to Australia's tourism industry has also been noted by the Australian Government: *"Japan is one of our most important tourism markets, with Japanese visitors spending $2 billion in Australia in the last year."*[18]

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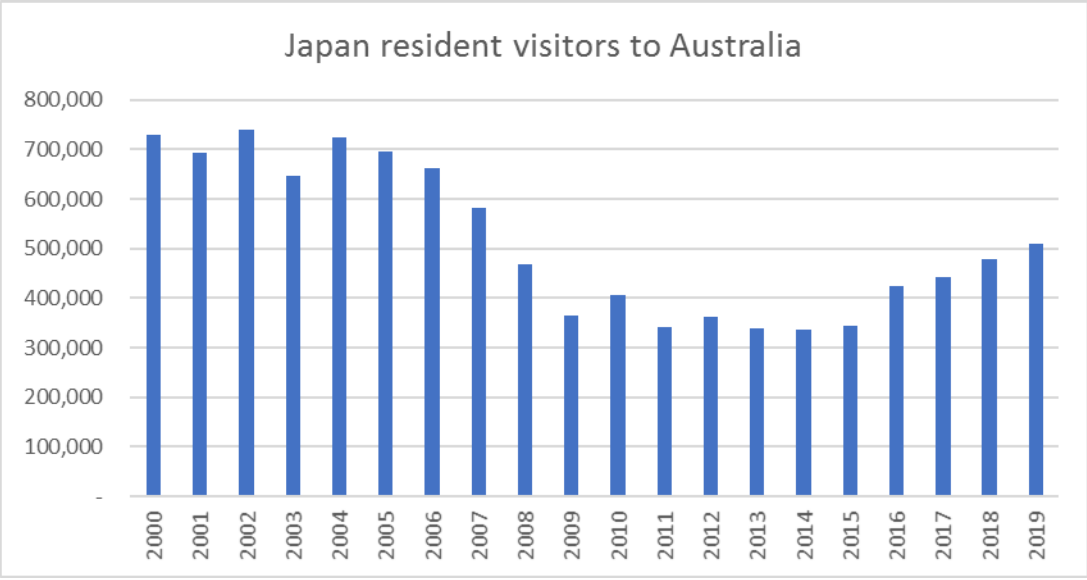
[15] See: https://www.trademinister.gov.au/minister/simon-birmingham/speech/business-lunch-australia-japan-ministerial-economic-dialogue
[16] Ibid.
[17] See: https://www.dfat.gov.au/news/news/australia-japan-joint-ministerial-statement-response-covid-19-pandemic
[18] See: https://minister.infrastructure.gov.au/mccormack/media-release/new-opportunities-australia-japan-aviation

Passenger air traffic from Japan to Australia grew by 40 per cent from 2014 to 2018 inclusive and, prior to the Pandemic, it was estimated that Japanese tourists would contribute $3.7 billion to the Australian economy by 2026-2027.[19] As set out below, authorisation of the Proposed Conduct will particularly help the crippled tourism industry – an important contributor to the Australian economy and driver of growth. In 2018-2019, tourism contributed $60.8 billion to national GDP and provided jobs for more than 5 per cent of the national workforce (666,000 people).[20]

Between 2015 and the start of the Pandemic, there had been a 10 per cent average annual increase in Japanese visitor numbers on Australia-Japan, as shown in Figure 1 below.

<u>Figure 1: Japan Visitor Arrivals to Australia (000s) – Year on Year to December 2019</u>

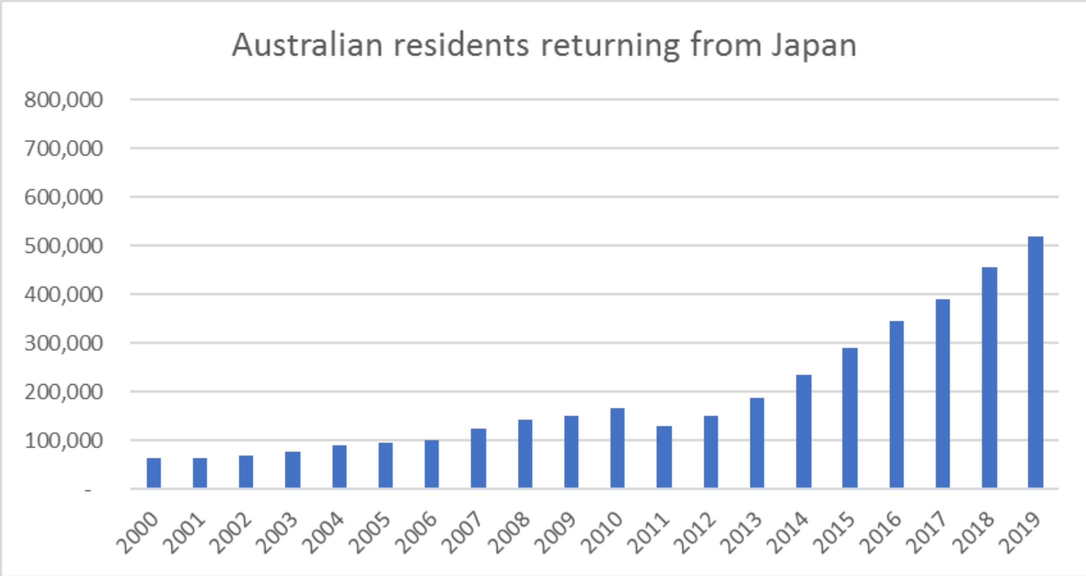


Source: Passenger statistics (Australian Bureau of Statistics)

A growth trend was also evident in respect to the numbers of Australian residents departing for short term stays in Japan, as shown in Figure 2 below, with a 16 per cent average annual increase since 2015.

[19] Ibid.
[20] Tourism Research Australia, *State of the Industry 2018-19*, see: https://www.tra.gov.au/

Figure 2: Australian Short-Term Resident Arrivals from Japan (000s) – Year on Year to December 2019



Source: Passenger statistics (Australian Bureau of Statistics)

It goes without saying that in the current economic climate, it is in Australia's interests to encourage as much inbound tourism and corporate traffic to Australia as possible and to further the strong political and economic relationship between the two countries.

While it is impossible to predict with certainty how and when demand will be restored post Pandemic, public benefits will be maximised if the prior tourism trends can be reinvigorated through sustainable capacity reinstatement across a diverse range of city pairs, with capacity supported and demand stimulated through joint sales and marketing in all relevant points of sale.

Qantas is particularly committed to making this happen as quickly and effectively as possible in the Japanese market. **[REDACTED - CONFIDENTIAL]** The Qantas Group has invested heavily in Japan, having grown operations from a single daily Sydney-Tokyo service in 2015 to extensive operations from multiple ports, helping to stimulate and support the tourist demand depicted in Figure 1 above.

Prior to the Pandemic:

- Qantas operated to Tokyo on a daily basis from each of Sydney, Melbourne and Brisbane in addition to Sydney-Osaka on a four times weekly basis and Sydney-Sapporo on a seasonal basis;
- Jetstar operated flights on a daily basis from Cairns to Tokyo, Cairns to Osaka and Gold Coast to Tokyo; and
- JAL operated to Tokyo from both Sydney and Melbourne on a daily basis.

The Qantas Group and JAL currently have a limited arms-length codeshare agreement, under which Qantas codes on certain JAL operated services from Singapore to Tokyo and JAL codes on certain Qantas operated services from Australia to Singapore and on Jetstar services from the Gold Coast and Cairns to Japan. JAL also codes on Qantas' Sydney-Auckland service. There is currently no other codeshare on routes between Australia and Japan, the Tasman or on any domestic Australia/New Zealand or Japan services.

As set out in further detail below, the routes between Australia and Japan are highly competitive with ANA and its subsidiary Air Japan, plus major indirect operators such as Cathay Pacific and Singapore Airlines, actively competing against the Applicants. Barriers to expansion and new entry remain low. The competitive intensity evident pre-Pandemic has continued, and will continue, notwithstanding Virgin Australia's now deferred entry to the market (originally planned for late March 2020).

New Zealand-Japan

The Proposed Conduct will include the ability for the Applicants to coordinate on pricing for journeys between New Zealand and Japan, via Australia – specifically, on itineraries between New Zealand and Australia on Trans-Tasman services operated by Qantas, connecting to long-haul services between Australia and Japan operated by JAL and Qantas. As outlined below, this will include expanding the ability for JAL to code on other Qantas operated services from Australia to New Zealand, in addition to the existing code on Sydney-Auckland services.

There is no actual or intended operational overlap between the Applicants to or from New Zealand: JAL does not operate on the Tasman or between New Zealand and Japan (and has very low market share as an indirect operator on those routes). However, given that the Proposed Conduct will include price coordination in respect of New Zealand-Japan via Australia itineraries, regulatory approval is being sought in New Zealand.

Given that the Proposed Conduct does not relate to 'point to point' journeys between Australia and New Zealand (i.e. it only relates to that segment as part of a long haul journey from New Zealand via Australia to Japan), routes between Australia and New Zealand are not considered in further detail in this application.

THE PROPOSED CONDUCT

Joint Business Agreement

The JBA provides the commercial and operational support necessary to re-build and ultimately expand the Australasia-Japan network across a more diverse range of city pairs. The Applicants are incentivised to add capacity, knowing that each carrier will support the sale and marketing of the additional seats using their respective distribution systems and reach – thereby reducing risk.

As the Commission is aware, metal neutrality – which is the founding principle of the JBA – provides the commercial incentive to support joint capacity expansion. Qantas and JAL will be indifferent as to which joint flight a customer chooses on services between Australasia and Japan. This incentivises the Applicants to allow each other access to the full inventory of available seats whether the customer is seeking to book a journey on either or both carriers.

These selling processes provide customers with the widest available choice of flights for their journey, using both carrier's brands, services and products. Because the JBA involves the pooling of revenue, both carriers are invested in the success of each other's flying. For example, Qantas would be incentivised to deliver crucial Australasian sales support to JAL's current limited Sydney-Tokyo service because it is financially akin to being Qantas' own. In turn, Qantas customers would have greater choice of seats and schedules through joint selling of JAL's services.

The benefits of this kind of integration have long been recognised by regulators. For example, the Commission has previously observed that:

> *'In alliances where the parties' incentives are fully aligned – to a point where each carrier is not concerned with making sure that a passenger flies on their airline (i.e. metal neutrality) – they tend to be very focused on synchronising their operations and activities and sharing the financial rewards and risks so as to make their products and services as appealing as possible to passengers.'*[21]

This kind of arrangement becomes even more imperative in the context of rebuilding capacity post the Pandemic. As set out earlier, the flight, entry and quarantine restrictions imposed by Governments

[21] See para 98 of ACCC Determination: Application for Revocation of A91265 and A91266 and the Substitution of authorisation A91502 and A91503 lodged by Qantas Airways and American Airlines in respect of their restated joint business agreement and associated agreements, 25 February 2016. Authorisation numbers A91502 and A91503. Available: https://www.accc.gov.au/system/files/public-registers/documents/D16%2B22969.pdf

globally have impacted the industry with unprecedented severity and caused a precipitous decline in demand. In June 2020, the International Air Transport Association (**IATA**) considered that *'Financially, 2020 will go down as the worst year in the history of aviation. On average, every day of this year will add US$230 million to industry losses…'*[22] In November 2020, IATA forecast that the aviation industry will make a collective net loss this year of $US118.5 billion ($162 billion) and $US38.7 billion in 2021, more than twice a previous $US15.8 billion estimate in June.[23] On 8 December 2020, the Australian Government extended the ban on outbound international travel for a further three months until 17 March 2021, given that the Pandemic continued to pose an unacceptable public health risk.[24]

The Pandemic forced a $4 billion revenue impact on Qantas in the second half of financial year 2020, contributing to a $2.7 billion statutory loss before tax in the 2020 financial year.[25] Qantas continues to undergo a massive reorganisation as a result, including business restructuring, the continued stand down of approximately 15,000 employees and a reduction of its workforce by at least 8,500 roles across all parts of the business.

JAL has also experienced an unprecedented impact as a result of the Pandemic. Operating revenue decreased to 194.7 billion yen, down 74 per cent year-over-year, EBIT recorded a loss of 223.9 billion yen and profit/loss figures recorded a loss of 161.2 billion yen during the first half of FY2020 (April-September). As strict travel and quarantine restrictions were imposed on a global scale, international passenger demand decreased by 97.7 per cent and international passenger revenue recorded 9.1 billion yen, down 96.6 per cent year-on-year. Domestic passenger demand was on the recovery trend in June and July, after the lifting of the state of emergency, but demand declined once again in August due to the increased number of COVID-19 infections. Passenger numbers are down 76.1 per cent and passenger revenue recorded 69.6 billion yen, down 75.6 per cent year-on-year. As a part of the cost reduction measures, JAL plans to retire a total of 24 Boeing 777 fleet by the end of financial year 2022.

The Qantas Group has been forced to suspend all passenger operations to Japan and JAL is currently operating only a limited three weekly service between Tokyo and Sydney.[26] Even with a relaxation of travel restrictions in coming months, demand for travel ex-Japan is expected to be slow to recover, given the likely restrictions on leisure travel as part of any 'travel bubbles' as well as a past history of consumer conservativism in the wake of industry disruption. As explained further below, JAL has modelled that poor demand forecasts will mean that, absent the Proposed Conduct, **[REDACTED - CONFIDENTIAL]**

In the context of the Pandemic, the Commission has recognised the need for airline collaboration in assisting the recovery of international air passenger services markets. For example, in its draft determination on 3 December 2020 to re-authorise the Qantas-China Eastern alliance, the Commission noted:

> *'In the context of the significant disruption to international travel resulting from the COVID-19 pandemic, the ACCC considers that the extended JCA is likely to result in a public benefit by assisting the Applicants to reinstate flights, and potentially grow the capacity they operate between Australia and China as travel restrictions ease, more quickly and in a more sustainable way than would otherwise be the case.'*[27]

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[22] See https://www.iata.org/en/pressroom/pr/2020-06-09-01/
[23] 'Airlines to rack up more than $200b of losses during pandemic' in *Australian Financial Review* 25 November 2020.
[24] Hon Greg Hunt, Minister for Health, 'Extending the human biosecurity emergency period by three months', media release dated 8 December 2020. Available: https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/extending-the-human-biosecurity-emergency-period-by-three-months
[25] See Qantas media release 'Qantas Group FY20 Financial Results – Navigating Exceptional Conditions,' 20 August 2020. Available: https://www.qantasnewsroom.com.au/media-releases/qantas-group-fy20-financial-results-navigating-exceptional-conditions/
[26] As noted earlier, Qantas is currently operating a once weekly freighter service from Brisbane to Narita under the government supported International Freight Assistance Mechanism program. JAL is also operating a limited freight service to Melbourne and Brisbane through to February 2021.
[27] Commission Draft Determination in relation to Application for revocation of A91470 and A91474 and the substitution of authorisation AA1000526 lodged by Qantas Airways Limited and China Eastern Airlines Corporation Limited in respect of a Joint Coordination Agreement Authorisation number: AA1000526, dated 3 December 2020, p 1. Available: https://www.accc.gov.au/system/files/public-registers/documents/Draft%20Determination%20Decision%20-%2003.12.20%20-%20PR%20-%20AA1000526%20-%20Qantas%20CEA.pdf

> *'The ACCC considers that under the JCA, the Applicants are likely to reinstate capacity, and potentially grow capacity, more quickly and in a more sustainable way than would otherwise be the case by allowing the Applicants to combine load volumes and undertake joint marketing initiatives which could potentially stimulate additional passenger traffic.'*[28]

> *'…current demand for flights between Australia and China is low and there is uncertainty about the extent and timing of a recovery in demand that is likely to occur. Further, it is not apparent that if Qantas and China Eastern were operating independently of each other, there would be sufficient recovery in demand to fuel a strong return to the route for both airlines between now and March 2022. As noted, the ACCC considers that the extended JCA will assist Qantas and China Eastern in reinstating services as demand picks up.'*[29]

Similarly, in its recent submission in support of the re-authorisation of the Qantas-American Airlines alliance, the Department of Infrastructure, Transport, Regional Development and Communications considered that collaboration between carriers would assist recovery:

> *'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 might take most of the timeframe sought in this approval to be realised. The impact of this [application for approval] on supporting recovery and facilitating a strong foundation for longer term competition is significant.'*[30]

The same analysis applies to consideration of the Proposed Conduct. The terms of the JBA will assist in expediting capacity growth across a more diverse range of city pairs between Australasia and Japan than would otherwise be possible.

The JBA will enable the Applicants to work together in respect of marketing and sales, pricing, scheduling, distribution strategies and agency arrangements, yield and inventory management, frequent flyer programs, lounges, joint procurement, product and service standards and cargo.[31] Decision making will be facilitated and streamlined through the establishment of a governance structure, featuring key working groups from the Applicants' respective commercial teams plus escalation procedures for senior management to ensure matters are dealt with promptly and efficiently as the market and demand conditions continue to evolve quickly.

Importantly, the JBA will not in any way incentivise capacity reduction or impose an artificial constraint on capacity reinstatement or growth, nor will it enable the Applicants to price at an artificially higher level. This is because the JBA reduces the risk associated with the reinstatement of capacity across a range of existing routes and facilitates the introduction of capacity on new routes, since revenue is pooled between both carriers. The JBA provides each carrier with incremental distribution ability beyond its own distribution network. Moreover, as described further below, the Applicants will remain constrained by the existence of strong and effective direct and indirect competitors which would mean any attempt to artificially reduce capacity or increase price would be futile as passengers would exercise choice to fly with others or, particularly in the case of leisure passengers, simply fly elsewhere or not at all.

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[28] ibid, paras 4.21 and 4.22.
[29] ibid, p 2.
[30] Letter to Commission from Department of Infrastructure, Transport, Regional Development and Communications dated 27 November, 2020. Available: https://www.accc.gov.au/system/files/public-registers/documents/Submission%20by%20Department%20of%20Infrastructure%2C%20Transport%2C%20Regional%20Development%20and%20Communications%20-%2003.12.20%20-%20PR%20-%20AA1000532%20Qantas-American.pdf
[31] See Confidential Annexure B. The exact scope of the Proposed Conduct will evolve over its term and may be altered from time to time.

Counterfactual

The public benefits which will be achieved by the Proposed Conduct will simply not materialise in the counterfactual scenario, to the immediate and ongoing detriment of Australian consumers.

Without the JBA, the Applicants would have no ability or incentive to share access to each other's network and inventory or to work together to sustain and recover operations on the Australia-Japan routes. As discussed further below, there will be less schedule choice for consumers, with slower and less diversified reinstatement of capacity leading to less certainty and higher risk.

Absent the Proposed Conduct, there would be a concentration of reinstated services on the Sydney-Tokyo route, rather than a spread of operations across multiple city pairs. In addition, there will be no prospect of the Applicants serving new city pairs. As explained in further detail below, all the Applicants' Australia-Japan services would be at risk of being less sustainable, will be less diversified in scope and, in the case of Brisbane-Tokyo, Sydney-Osaka and Sydney-Sapporo services, will be slower to be reinstated.

Without the Proposed Conduct, it is likely that Qantas and JAL would continue the existing limited, arms-length codeshare on non-overlapping routes (outlined above). The codeshare would not expand to include direct services between Australia-Japan or any domestic services in Australia or Japan or additional routes across the Tasman. JAL would continue to codeshare on Jetstar's services from Cairns and Gold Coast to Japan and on Qantas' services from Sydney to Auckland, but otherwise the codeshare will not expand beyond these limited operations. This is because, without revenue sharing, there is no incentive to support another carrier's operations on overlapping routes in preference to a carrier's own. Codeshare partners who do not pool revenue will always have an incentive to fill seats on flights that they operate themselves, where they will receive the full fare instead of just the portion of a fare received from a codeshare sale. This limits codeshare partners' willingness to share capacity and fails to capture integrative efficiencies that are achieved with metal neutrality.

In turn, this means that passengers have fewer and less optimal choices – as described below.

PUBLIC BENEFITS

Overview

Authorisation of the Proposed Conduct will result in immediate and significant public benefits to Australian consumers. It will enable more sustainable and diversified reinstatement, and ultimate growth, of the Applicants' Australasia-Japan services, which will in turn stimulate tourism and trade.

As demand recovers and borders open, the Applicants' combined selling engines will facilitate key consumer benefits which would otherwise not occur. Together, the Applicants will be able to offer:

- increased frequencies and improved connectivity over a more diverse range of city pairs between Australia and Japan, which will drive consumer confidence and rebuild the crippled tourism industries and state and regional economies. Specifically, rather than crowding the Sydney-Tokyo route with overlapping flying, the Applicants will deliver improved schedule choice to more destinations through:
    - a more certain and sustainable reinstatement of services operated by both carriers on routes from Sydney to Tokyo;
    - an accelerated reinstatement of daily services operated by both carriers from Melbourne to Tokyo, with the ability to offer complimentary schedules giving consumers more choice;
    - an accelerated reinstatement of services **[REDACTED - CONFIDENTIAL]** on the Qantas operated Brisbane-Tokyo route;
    - a faster return **[REDACTED - CONFIDENTIAL]** of Qantas services from Sydney to Osaka;

    - a faster return **[REDACTED - CONFIDENTIAL]** of Qantas services from Sydney to Sapporo;

    - potentially increased frequencies and/or gauge operated by Qantas on the Tasman, if the additional codeshare services generate higher loads of passengers transiting from New Zealand onto Japan via Australia; and

    - the introduction of new services between Australia and Japan being **[REDACTED - CONFIDENTIAL]**

In addition, the Proposed Conduct will enable the Applicants to:

- expand the existing codeshare relationship between Qantas and JAL, giving consumers increased connectivity and schedule choice on routes between Australia and Japan as well as through access to more destinations 'behind and beyond' the major city gateways. For example, Qantas customers will have access to 14 new codeshare ports in Japan and JAL customers will have access to 15 new codeshare ports in Australia and New Zealand. This will include expanded codesharing on the Tasman, facilitating new routings between New Zealand and Japan via Australia;

- offer enhanced frequent flyer benefits for Qantas and JAL customers, including offering improved earn for members of the other carrier's frequent flyer program on joint business routes and prioritising all necessary work to offer customers the ability to upgrade on the other carrier using points/miles;

- invest in customer service and product improvements over the longer term, including through streamlined processes for customer re-accommodation in the event of flight disruption or delays and improving in-flight product and on-ground service. The Applicants will work together to make multi-sector travel easier for passengers with disabilities or those travelling with infants/children travelling alone. There will also be opportunities for sharing best practice in relation to on-board products such as meals that cater to particular passenger preferences as well as close cooperation in relation to COVID-19 testing and vaccine verification processes;

- provide a better proposition for corporate travellers between Australia and Japan, which would otherwise be limited by the fact that Qantas' available fleet has restricted business class seats and no premium economy seats. Specifically, Qantas will be able to market and sell 16 additional business class seats and 35 premium economy seats per flight through access to JAL's inventory, compared to if it were restricted to selling only its own operated services;[32]

- offer a variety of fare products and price points to consumers, made possible through coordinated inventory management between Qantas and JAL; and

- critically, re-stimulate tourism and trade to and within Australia through joint sales and marketing with a particular focus on campaigns in Japan showcasing Australia, building on the capacity, frequency, codeshare and other customer benefits outlined above as well as through potential opportunities to increase access to shared cargo space and provide increased supply chain certainty.

Importantly, the Proposed Conduct will also have a broader restorative effect by helping to support the reinstatement of capacity across other parts of Qantas' international network. As a result of the Proposed Conduct, Qantas will be better able to sustainably direct resources to other markets to rebuild links to other countries. In turn, this will increase the public benefits to the Australian tourism industry and economy more generally.

[32] Based on a comparison with Qantas A330-300 aircraft, which are configured with Business and Economy cabins.

The faster and more sustainable reinstatement and potential growth in capacity between Australia and markets across Asia post Pandemic has already been recognised by the Commission as a valuable consumer benefit.[33] These benefits will grow in meaning and utilisation as demand recovery builds over time, with the Proposed Conduct helping to provide certainty and therefore paving the way for Australia to be regarded as a safe destination for business and leisure travellers.

These public benefits are detailed further below.

Diversified Capacity Reinstatement And Schedule Choice

As set out above, the Pandemic has had an unprecedent impact on the airline industry. Any reinstatement of capacity carries a newer, higher level of risk – particularly for international routes. As the Commission has noted, the pattern of demand recovery post-Pandemic will be difficult to predict and will be subject to fluctuation:

> *'The ACCC recognises that due to travel restrictions, the market conditions in which the alliance will operate, at least over the 18 months for which re-authorisation is sought, will be substantially different. In particular, demand for services is likely to be significantly lower than historical levels over this period. Further, the timing, pace and extent of the recovery in demand when travel restrictions do ease is uncertain and likely to be non-linear.'*[34]

[REDACTED - CONFIDENTIAL]

The Proposed Conduct must be assessed having regard to the need to give airlines increased certainty and confidence to invest in capacity reinstatement and growth, which the Commission has also noted is particularly important in the international travel context:

> *'The ACCC considers that decisions about capacity operated, including adding additional capacity, are primarily driven by market conditions and passenger demand. However, the ACCC accepts that in the initial post COVID-19 recovery phase, once international travel resumes, there will be significant uncertainty about market conditions and passenger demand. This may make airlines more reluctant to commit to reinstating and growing capacity than would otherwise be the case…...'*[35]

Accordingly, the Proposed Conduct has been designed to support, diversify and accelerate capacity reinstatement on a wide range of city pairs between Australia and Japan, with improved connectivity. This includes the resumption of services operated by both carriers between Sydney and Melbourne to Tokyo, while assisting to bring forward a Qantas operated service from Brisbane-Tokyo with additional frequencies than would otherwise be the case. The resumption of Qantas operated services from Sydney to Osaka and Sapporo would be markedly faster, **[REDACTED - CONFIDENTIAL]** compared to a scenario without the Proposed Conduct. In addition, the Proposed Conduct will facilitate the introduction of new city pairs (and resultant consumer benefits), as described below. This faster and more diversified reintroduction of capacity is of significant and immediate benefit to consumers, and the Australian economy generally.

Without authorisation, Qantas and JAL will both focus heavily on the key Sydney-Tokyo route, due to that route offering superior local demand and network connectivity relative to others. For example, between May 2011 and August 2015, as the Australia-Japan market contracted before the more recent growth period, Sydney was the only Australian capital city to have direct services to Japan. In calendar year 2019, Sydney accounted for 32 per cent of Australia-Japan origin and destination traffic, compared

[33] Commission Draft Determination in relation to Application for revocation of A91470 and A91474 and the substitution of authorisation AA1000526 lodged by Qantas Airways Limited and China Eastern Airlines Corporation Limited in respect of a Joint Coordination Agreement Authorisation number: AA1000526, dated 3 December 2020, paras 4.25. Available: https://www.accc.gov.au/system/files/public-registers/documents/Draft%20Determination%20Decision%20-%2003.12.20%20-%20PR%20-%20AA1000526%20-%20Qantas%20CEA.pdf

[34] Ibid p 4.13.

[35] Ibid, paras 4.21 and 4.22.

to Melbourne at 20 per cent and Brisbane at 13 per cent[36]. Sydney has greater network connectivity options within Australia and to New Zealand, making it the best gateway to recommence Australia-Japan operations.

As a result, without the Proposed Conduct, the Applicants would crowd the Sydney-Tokyo route, with Melbourne and Brisbane services a second preference for either carrier to reinstate in the absence of the Proposed Conduct and Qantas being slower to reinstate options to Osaka and Sapporo. There would also be no prospect of new city pairs being served. Importantly, without the Proposed Conduct, **[REDACTED - CONFIDENTIAL]**

As well as re-connecting more city pairs sooner, the Proposed Conduct will provide a greater spread of schedule options between Australia and Japan, with more flights available in a single fare product, than what Qantas or JAL could provide alone. For example, Qantas and JAL customers seeking to avoid day flights will be able to fly Melbourne-Tokyo overnight on JAL and return Tokyo-Melbourne overnight on Qantas. Without the Proposed Conduct, a Qantas customer would have to fly Melbourne-Tokyo during the day (or overnight one-stop via Sydney) and return Tokyo-Melbourne overnight, whilst a JAL customer could only fly Melbourne-Tokyo overnight and Tokyo-Melbourne during the day. Both carriers will investigate schedule and connectivity improvements, particularly on the Melbourne-Tokyo and Sydney-Tokyo routes where both carriers aim to return to daily operations.

Without a joint business with JAL, Qantas would offer a more limited proposition to Japan with less schedule choice and connectivity. Qantas' Australia-Japan services will carry higher degrees of risk and, in the case of Brisbane-Tokyo, Sydney-Osaka and Sydney-Sapporo services, will be slower to be reinstated. Specifically, as set out in detail below, **[REDACTED - CONFIDENTIAL]**

Similarly, without the Proposed Conduct, JAL **[REDACTED - CONFIDENTIAL]**

Importantly, the Proposed Conduct will also have a broader restorative effect by helping to support the reinstatement of capacity across other parts of Qantas' international network. With the Proposed Conduct, Qantas will be better able to sustainably direct resources to other markets to rebuild links to other countries. In turn, this will increase the public benefits to the Australian tourism industry and economy more generally.

New Routes

The Proposed Conduct will facilitate the potential introduction of new routes between Australia and Japan, being **[REDACTED - CONFIDENTIAL]**

Expanded Codeshare and Connectivity

The JBA would facilitate an increase in codeshare destinations. The Applicants would expand their existing codeshare relationship, giving Australian consumers increased connectivity and enhanced schedule choice on the routes between Australia and Japan as well as increased access to destinations 'behind and beyond' the major city gateways. Currently, JAL does not code on any Qantas domestic services. Apart from some services between Australia and Singapore, the only other international routes that JAL codes on Qantas services on is Sydney-Auckland.[37]

With the Proposed Conduct, the codeshare reach will dramatically expand. For example, in addition to the codeshare being expanded onto trunk routes between Australia and Japan, Qantas customers will also have access to 14 new codeshare ports in Japan and JAL customers will have access to 15 codeshare new ports in Australia and New Zealand as a result of the Proposed Conduct. Proposed codeshare destinations, which will also allow better transit options from New Zealand to Japan via Australia, are set out in Table 4 below.

[36] IATA DDS market estimate for Calendar Year 2019.
[37] As noted earlier, JAL currently codes on Jetstar services from Gold Coast/Cairns to Japan.

Table 4: Proposed Codeshare Expansion As Part of Proposed Conduct

JAL Codeshare Ports on Qantas	Qantas Codeshare Ports on JAL
Adelaide Auckland Ayers Rock Brisbane Cairns Canberra Christchurch Darwin Gold Coast Hobart Melbourne Perth Queenstown Sydney Wellington	Asahikawa Fukuoka Hiroshima Kōchi Kumamoto Matsuyama Nagoya Obihiro Okinawa-Naha Osaka-Itami Osaka-Kansai Sapporo Tokyo-Haneda Tokyo-Narita

Further ports are likely to be added to the codeshare as the JBA evolves.

The inclusion of a wider range of codeshare destinations as part of the Proposed Conduct will support the reinstatement of Australasia-Japan capacity, in the same way that the Commission recognised that the inclusion of behind and beyond routes in the commercial agreements underpinning the Qantas-China Eastern alliance would promote greater traffic on point-to-point routes between Australia and China, and thereby support the viability of capacity on those routes.[38]

The addition of JAL codeshares on Qantas' Tasman routes to Christchurch, Wellington and Queenstown has further benefits for Australian and New Zealand consumers, with multiple routings and schedule options to Japan as shown in Figure 4 below.

[38] Commission Draft Determination in relation to Application for revocation of A91470 and A91474 and the substitution of authorisation AA1000526 lodged by Qantas Airways Limited and China Eastern Airlines Corporation Limited in respect of a Joint Coordination Agreement Authorisation number: AA1000526, dated 3 December 2020, paras 4.24. Available: https://www.accc.gov.au/system/files/public-registers/documents/Draft%20Determination%20Decision%20-%2003.12.20%20-%20PR%20-%20AA1000526%20-%20Qantas%20CEA.pdf

Figure 4: Combined JAL-Qantas Australia-Japan and Trans-Tasman Networks

In addition, as noted earlier, the Proposed Conduct also provides the platform for the potential increase in frequencies and/or gauge operated by Qantas on the Tasman. While it is too early to predict the timing or extent of such increases, it is more likely to occur with the Proposed Conduct than without it. The Applicants' expanded codeshare will attract more passengers transiting from New Zealand to Japan via Australia, travelling on the new codeshare services to and from each of Christchurch, Wellington and Queenstown (as well as the existing code on Sydney-Auckland services). Passengers travelling between New Zealand and Japan via Australia are expected to take advantage of new schedule options and other consumer benefits such as increased frequent flyer entitlements and fare flexibility. Hence, if the additional codeshare services generate higher loads of passengers transiting between New Zealand onto Japan then Qantas will be in a better position to increase Tasman services as well, to the benefit again of both the Australian and New Zealand tourism industries and economies.

In expanding the codeshare, the Applicants would work on maximising schedule connectivity and itinerary choice. Some examples of schedule optionality which would be facilitated by the JBA are set out in Figures 5-8 below.

Figure 5: Sample Itinerary Choices, Hobart-Tokyo (JL code)

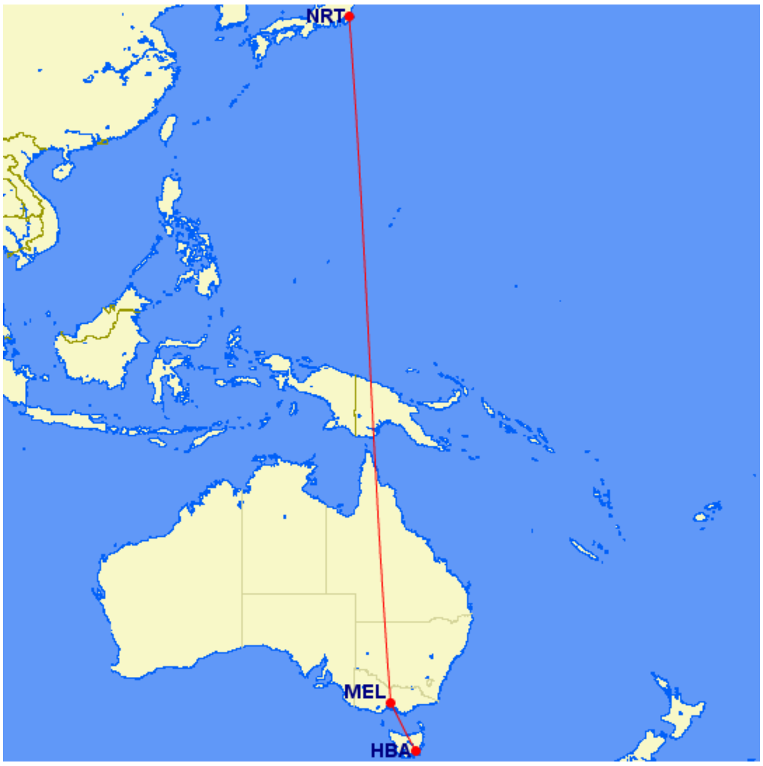


Figure 6: Sample Itinerary Choices, Ayers Rock to Okinawa (QF code)

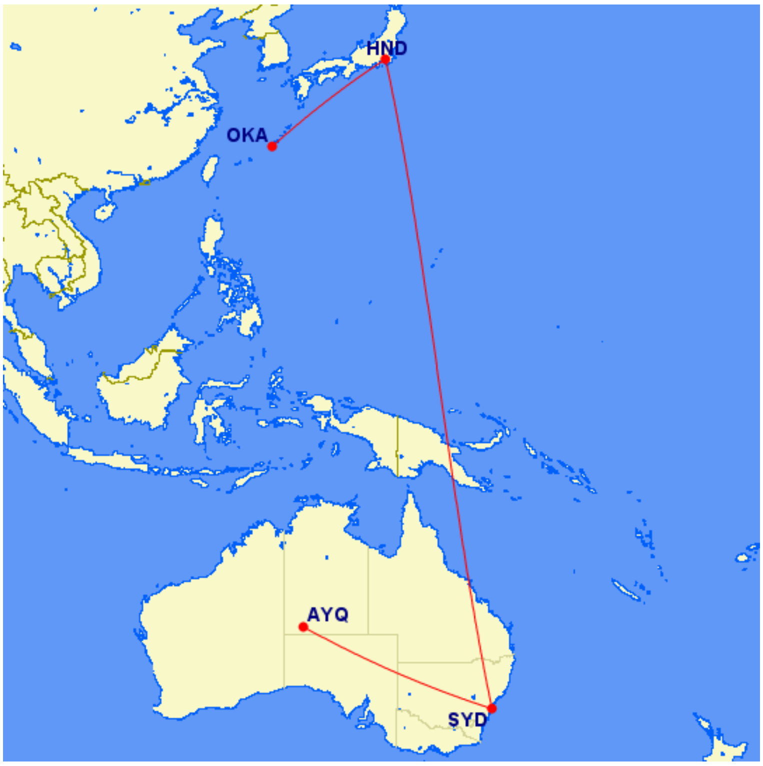


Figure 7: Sample Itinerary Choices, Matsuyama-Brisbane (JL code)

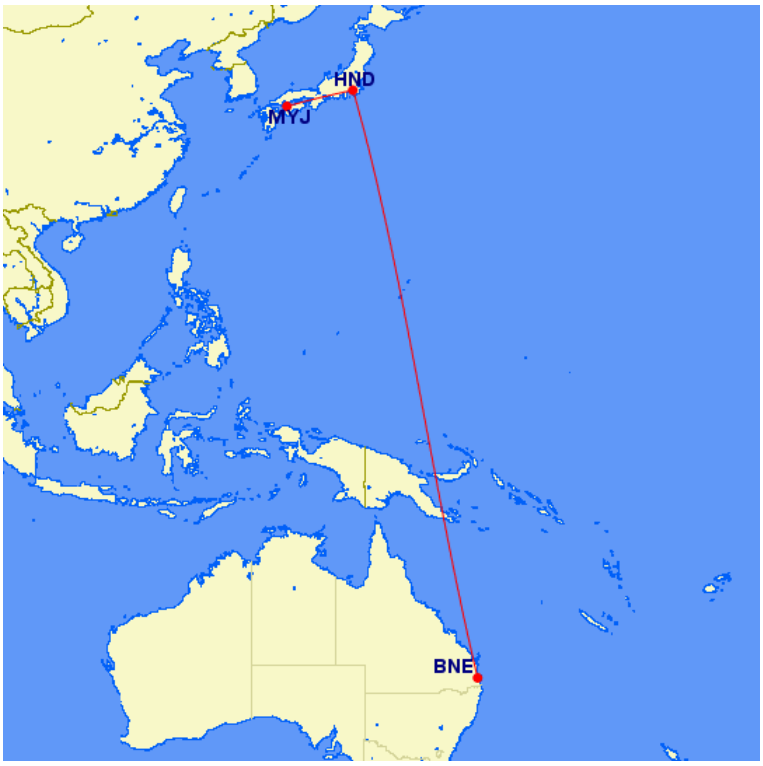
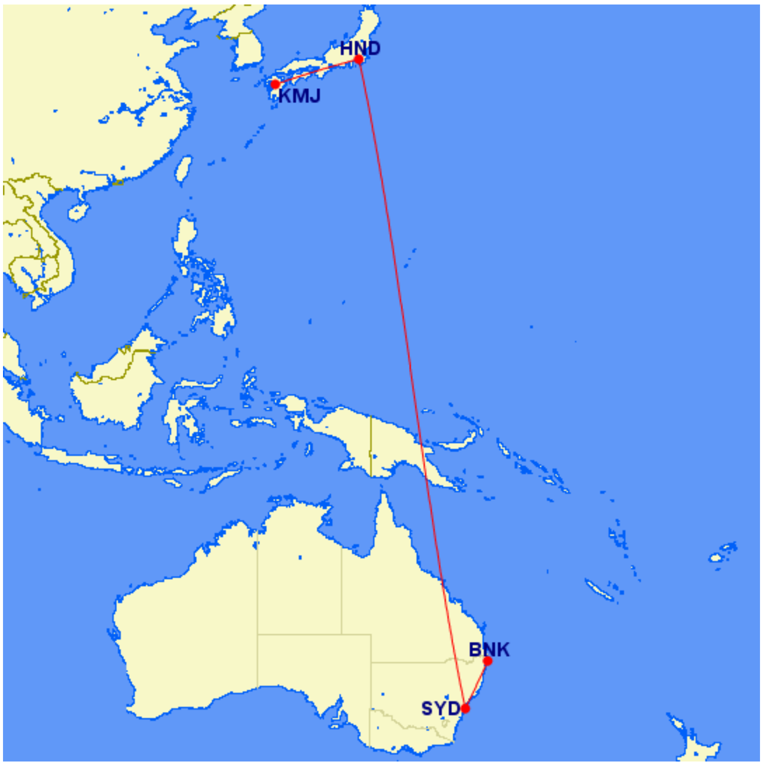


Figure 8: Sample itinerary Choice, Kumamoto to Ballina (QF code)



With authorisation, this comprehensive joint network will enable Australian consumers to enjoy further schedule choice and connectivity. By contrast, without the JBA, codeshare opportunities, connections and itinerary choice will diminish.

Enhanced Frequent Flyer Benefits

The Applicants will offer improved frequent flyer benefits for customers of Qantas and JAL, including by offering enhanced earn on joint business routes marketed by the other carrier (i.e. Qantas Frequent Flyer members earn on JAL marketed flights and JAL Mileage Bank members earn on Qantas marketed flights) and by prioritising all necessary work to offer customers the ability to request cabin upgrades on the other carrier's operated flights by using points/miles (i.e. JAL Mileage Bank members could request upgrades on Qantas operated flights and Qantas Frequent Flyers could request upgrades on JAL operated flights).

These are benefits which go beyond the existing entitlements that Qantas and JAL customers can enjoy through the **one**world alliance.

Improved Product and Customer Service

The JBA incentivises the Applicants to share best practices and jointly invest in designing and delivering an optimal customer experience. Revenue-pooling ensures the carriers jointly aim to provide customers the best in-flight and on-ground experience across both brands.

With authorisation, Qantas and JAL will work closely together to improve the customer experience. The carriers will invest over the longer term in customer service improvements such as streamlined processes for customer re-accommodation in the event of flight disruption or delays as well as improvements in inflight product and on-ground customer service. For example, with likely ongoing disruptions as a result of the Pandemic, the Proposed Conduct will enable JAL and Qantas to accommodate passengers smoothly to each other's flights, leveraging the closer relationship and flexibilities gained through the Proposed Conduct, and thereby minimising customer inconvenience. The Applicants will also work together to make multi-sector travel easier for passengers with disabilities or those travelling with infants/children travelling alone. There will also be opportunities for sharing best practice in relation to on-board products such as meals that cater to particular passenger preferences.

In addition, the Applicants will closely cooperate in relation to COVID-19 testing and vaccine verification processes.

Further initiatives would be identified and developed with a grant of interim authorisation.

Better Options for Corporate Travellers

Together, the Applicants can provide a better proposition for corporate travellers between Australia and Japan, which would otherwise be limited by the fact that Qantas' available fleet has restricted business class seats. Specifically, Qantas will be able to market and sell 16 additional business class seats per flight through access to JAL inventory compared to if it were restricted to selling its own operated services. For corporates, the Proposed Conduct means more seats, available from more ports, at more times of the day – facilitating connections and frequencies that make business travel seamless.

In addition, the Applicants would offer corporate travellers improved schedule choice and connectivity, discount arrangements and enhanced frequent flyer earn and upgrade benefits. Qantas will include JAL flights in its corporate deals, which will provide greater choice to corporate customers.

Increased Inventory Access and More Flexible Fares

With the Proposed Conduct, the Applicants will offer a variety of fare products and price points to consumers, made possible through coordinated inventory management between Qantas and JAL. While detailed discussions and planning of revenue management opportunities will not occur unless and until the Commission grants interim authorisation, it is possible at this stage to identify benefits which will flow from increased integration of functions.

Importantly, the ability to coordinate inventory would mean that the Applicants can support each other's sales and marketing activities, by ensuring that sufficient seats are available to be offered as part of a sale to multiple destinations. This is not possible under normal codeshare arrangements. As outlined earlier, the JBA is based on metal-neutral selling of the Applicant's joint services, meaning that the

Applicants will align their economic incentives and organise their sales functions to enable them to be indifferent as to which joint service the customer chooses. This provides the incentive for the Applicants to allow each other access to the full inventory of available seats regardless of whether the customer is seeking to book a journey between Australia and Japan using either or both carriers.

The Proposed Conduct will enable the Applicants to work together to stimulate demand recovery and contribute to the provision of more flexible fares. With authorisation, the revenue management teams will continue to find ways to rebuild travel and tourism through attractive pricing for both leisure and corporate customers.

By contrast, without authorisation of the Proposed Conduct, the Applicants would not have the ability or incentive to support each other's inventory and revenue management functions. Without appropriate commercial incentives in place, the Applicants would not open up their respective network for sale by the other, leading to a reduced range of price points (and, as noted earlier, a less certain and slower reinstatement of capacity).

Tourism Recovery and Promotion of International Trade and Business

Increased and faster capacity restored across multiple city pairs between Australia and Japan, as a result of the Proposed Conduct, will not only assist with restoring tourism levels, but also provide greater capacity to facilitate the trade of goods between Australia and Japan.

The Proposed Conduct would clearly enable the Applicants to successfully stimulate inbound tourism which, as set out earlier, is one of the keys to driving Australia's economic recovery post Pandemic. The Proposed Conduct will achieve this through enabling the Applicants to offer a wider variety of products and price points, plus coordinated joint marketing campaigns in conjunction with tourism bodies **[REDACTED - CONFIDENTIAL]**

Co-branded marketing initiatives would lead to better utilisation of the respective home market sales and distribution networks of each carrier. For example, JAL would actively promote secondary cities within Australia which would become accessible to JAL customers through the expanded codeshare and easier access to the domestic and regional flights. Such promotion of regional travel and tourism is particularly important in domestic Japan, where Qantas has limited reach and distribution capability. The Applicants would work together to assist and incentivise travel agents to sell and support the Australasia-Japan services.

Trading relationships between Australasia and Japan would also be strengthened as a result of the Proposed Conduct, which envisages the Applicants cooperating in respect to freight services as well. Where a revenue sharing joint business is in place to cover freight operations, carriers are able to provide confirmed uplift of bookings (whereas normally bookings would be only confirmed on an ad hoc 'space available' basis and as such accorded lowest priority by the operating carrier). In addition, there would be improved connectivity between freight networks with the ability to open up new origin-destination shipments. The potential to integrate IT systems over time would also provide an enhanced end to end customer experience. Joint promotion and selling of the increased and diversified capacity, once reinstated, will be key to developing corporate business links and will assist Australian exporters seeking to diversify and develop new markets in Japan. Specific joint marketing opportunities, including in relation to cooperation on cargo, would be identified and planned by the Applicants if the Commission grants interim authorisation.

Importantly, the benefits of the Proposed Conduct are not linked solely to Australia-Japan travel and trade. It will have a broader restorative effect by helping to support the reinstatement of capacity across other parts of Qantas' international network. By supporting Qantas' operations to Japan, Qantas will be better able to sustainably direct resources to other markets to rebuild links to other countries. In turn, this will increase the public benefits to the Australian tourism industry and economy more generally.

NO ANTI COMPETITIVE EFFECTS

The Proposed Conduct is inherently geared to maximise consumer interest. It will deliver greater public benefits faster and with more certainty than a future without it, in an intensely competitive market. As described earlier, the JBA will incentivise the Applicants to expand rather than restrict capacity and to invest in an improved product offering which is likely to stimulate innovation and price competition from others.

Importantly, the Applicants will not have any ability or incentive to artificially restrict capacity or increase prices because of the constraints which will continue to be imposed by other direct and indirect operators on Australasia-Japan routes and the real prospect of lost sales and revenue. Any attempt to do so would be futile as passengers would exercise choice to fly with others or, particularly in the case of leisure passengers, simply fly elsewhere or not at all. As outlined below, in practice the Applicants will remain constrained by ANA and indirect operators such as Cathay Pacific and Singapore Airlines as competition to attract and re-stimulate demand intensifies in coming months.

Strong Competition

The routes between Australia and Japan are, and will remain, highly competitive.

Historic share data in respect of air passenger services from Australia to Japan is included in Table 5 below. It indicates that in relation to the number of passengers on services between Australia and Japan in calendar year 2019, the Qantas Group (including Jetstar) had a share of 58 per cent and JAL had a share of 10 per cent. In addition to the Applicants, ANA had a strong competitive presence on the routes with a share of around 8 per cent. Indirect operators such as Cathay Pacific and Singapore Airlines are also critical players, with Singapore Airlines having around 7 per cent of total market share and Cathay Pacific around 6 per cent. For completeness, route specific share information is set out in Annexure E, noting that pre-Pandemic the Applicants only overlapped on Sydney-Tokyo and Melbourne-Tokyo services.

Table 5: Australia-Japan Passenger Share, Calendar Year 2019 (all POS)

Operating Carrier	Estimated Passengers	Percentage
Qantas	761,395	35 per cent
Jetstar	481,241	23 per cent
JAL	200,794	10 per cent
ANA	171,937	8 per cent
Singapore Airlines	148,967	7 per cent
Cathay Pacific	120,877	6 per cent
Other[39]	244,793	11 per cent

Source: IATA DDS

It is important to note that the above share reflects 2019 operations. Unlike JAL and ANA, Qantas and Jetstar have not reinstated any direct passenger services during the Pandemic and would have a current share of 'nil' passengers. Other relevant context is the fact that with ANA's maturing operations on the Australia-Japan market in recent years and increased focus from Cathay Pacific and Singapore Airlines (outlined below), the Applicants' combined share in calendar year 2019 fell compared to calendar year 2018.

[39] Includes Philippine Airlines (2%), AirAsiaX (2%), China Airlines (2%), Thai Airways (1%) and Malaysia Airlines (1%).

Share gains have been enjoyed by ANA, Cathay Pacific, Singapore Airlines and a further grouping of other one-stop carriers. A year-on-year comparison illustrates a growing (albeit relatively dispersed) competitor set operating and selling services between Australia and Japan, as shown in Table 6 below.

Table 6: Year on Year Comparison: Australia-Japan Passenger Share, Calendar Year 2018-2019 (all POS)

Operating Carrier	Calendar Year 2018 share	Calendar Year 2019 share
Qantas	36 per cent	35 per cent
Jetstar	26 per cent	23 per cent
JAL	10 per cent	10 per cent
ANA	7 per cent	8 per cent
Singapore Airlines	6 per cent	7 per cent
Cathay Pacific	5 per cent	6 per cent
Other[40]	10 per cent	11 per cent

Source: IATA DDS

As the share data shows, in addition to ANA, Singapore Airlines and Cathay Pacific are active constraints on non-stop carriers due to their pricing and network offering. With a broad network in Australia and Japan, including operations outside Brisbane, Melbourne, Sydney and Tokyo, both these carriers are able to connect several secondary markets on a one-stop basis via Singapore and Hong Kong respectively. This is shown in Table 7 below.

Table 7: Overview of Australian and Japanese Ports Served by Cathay Pacific and Singapore Airlines/Silk Air

Operating Carrier	Australian Ports	Japanese Ports
Cathay Pacific	Adelaide, Brisbane, Melbourne, Perth, Sydney	Nagoya, Osaka Kansai, Sapporo, Tokyo Haneda, Tokyo Narita
Singapore Airlines and SilkAir	Adelaide, Brisbane, Cairns, Darwin, Melbourne, Perth, Sydney	Fukuoka, Hiroshima, Nagoya, Osaka Kansai, Tokyo Haneda, Tokyo Narita

Price trends further demonstrate that the Australia-Japan market is highly contestable in practice. Tactical pricing has been a constant competitive dynamic on routes between Australia and Japan, indicating the focus of direct and indirect operators in responding swiftly to competitor activity. All competitors have been active in both initiating and responding to price and sale activity.

Table 8 below sets out some examples of pricing activity in the six months prior to the Pandemic. Importantly, as a result of the Pandemic, the Applicants expect that carriers such as Singapore Airlines and Cathay Pacific will increasingly seek to complement the decrease in demand over the point-to-point

[40] Includes Philippine Airlines (2%), AirAsiaX (2%), China Airlines (2%), Thai Airways (1%) and Malaysia Airlines (1%).

traffic to their own hubs by competing even more aggressively to attract passengers flying between Japan and Australia.

Table 8: Sample Tactical Pricing Activity on Australia-Tokyo Routes (Point of Sale Australia), September 2019-February 2020

Sale Start Date	Carrier	All Inclusive Economy Return Fares to Tokyo (AUD)
1 SEP 2019	JAL	Sydney ($704), Melbourne ($676), Brisbane ($738)
6 SEP 2019	Singapore Airlines	Sydney ($738), Melbourne ($803), Brisbane ($817)
17 SEP 2019	Qantas	Sydney ($737), Melbourne ($696), Brisbane ($725)
26 SEP 2019	ANA	Sydney ($657)
1 OCT 2019	JAL	Sydney ($708), Melbourne ($680), Brisbane ($742)
2 OCT 2019	Qantas	Sydney ($692), Melbourne ($705), Brisbane ($727)
3 OCT 2019	Singapore Airlines	Sydney ($763), Melbourne ($808), Brisbane ($832)
4 OCT 2019	Cathay Pacific	Sydney ($781), Melbourne ($805). Brisbane ($779)
25 OCT 2019	ANA	Sydney ($687)
1 NOV 2019	JAL	Sydney ($673), Melbourne ($645), Brisbane ($707)
1 NOV 2019	Cathay Pacific	Sydney ($673), Melbourne ($663), Brisbane ($692)
8 NOV 2019	Qantas	Sydney ($718), Melbourne ($697), Brisbane ($706)
14 NOV 2019	Singapore Airlines	Sydney ($781), Melbourne ($818), Brisbane ($842)
20 NOV 2019	Qantas	Melbourne ($697), Brisbane ($706) - No Sale Ex SYD
29 NOV 2019	ANA	Sydney ($687)
1 DEC 2019	JAL	Sydney ($692), Melbourne ($664), Brisbane ($726)
5 DEC 2019	Qantas	Sydney ($758), Melbourne ($697), Brisbane ($706)
11 DEC 2019	Cathay Pacific	Sydney ($722), Melbourne ($712), Brisbane ($833)
13 DEC 2020	Qantas	Sydney ($722), Melbourne ($679), Brisbane ($701)
1 JAN 2020	JAL	Sydney ($693), Melbourne ($665), Brisbane ($727)
9 JAN 2020	Singapore Airlines	Sydney ($783), Melbourne ($808), Brisbane ($832)
13 JAN 2020	Cathay Pacific	Sydney ($675), Melbourne ($665), Brisbane ($740)

Sale Start Date	Carrier	All Inclusive Economy Return Fares to Tokyo (AUD)
17 JAN 2020	ANA	Sydney ($687)
21 JAN 2020	Qantas	Sydney ($698), Melbourne ($658), Brisbane ($667)
31 JAN 2020	Singapore Airlines	Sydney ($773), Melbourne ($803), Brisbane ($827)
1 FEB 2020	JAL	Sydney ($693), Melbourne ($665), Brisbane ($727)
6 FEB 2020	Cathay Pacific	Sydney ($658), Melbourne ($648), Brisbane ($843)
7 FEB 2020	ANA	Sydney ($647)
11 FEB 2020	Qantas	Sydney ($627), Melbourne ($627), Brisbane ($627)
18 FEB 2020	Qantas	Sydney ($692), Brisbane ($667) – No Sale Ex MEL
21 FEB 2020	ANA	Sydney ($647)

Source: Internal Qantas analysis; all sales for various travel periods in 2019 and 2020

Further information about various competitors on routes between Australia and Japan is set out below.

ANA/Virgin Australia

The Applicants regard ANA as a particularly aggressive and effective competitor. ANA is one of the leading airline groups in Asia. It provides long haul services from Japan as well as domestic full service operations, while also offering low cost carrier services domestically and on short haul international routes through its subsidiary Peach Aviation. Prior to the Pandemic, ANA had 259 aircraft flying to 85 destinations and carrying about 52 million passengers per year. ANA is the largest airline in Japan by revenues and passenger numbers.[41] It is a member of the Star Alliance.

ANA has continued to operate through the Pandemic, with a three per week service between Sydney and Tokyo (Haneda) using a Boeing 787 aircraft between April and September 2020. This grew to a five per week service from October 2020 and has occurred despite there being Australian Government caps on inbound passenger numbers. Moving forward, the Applicants expect ANA to grow its services to Australia in coming months and years. ANA commenced daily services between Perth and Tokyo in September 2019 and had been operating daily Sydney-Tokyo services since December 2015. ANA was about to launch a second daily Sydney-Tokyo service in March 2020, which was postponed as a result of the Pandemic.

In a further sign of its strong commitment to Australia, prior to the Pandemic, Virgin Australia and ANA announced a new codeshare arrangement and reciprocal frequent flyer benefits.[42] From January 2020, ANA guests were able to codeshare on Virgin Australia flights across six routes Sydney and Brisbane, Melbourne, Cairns, Canberra, Gold Coast and Adelaide. The carriers also announced an intention to offer reciprocal frequent flyer benefits later in 2020 and expand their domestic codeshare in Australia and launch international codeshare flights between Japan and Australia, along with domestic

[41] See further: https://www.ana.co.jp/group/en/about-us/strategy/
[42] See 'ANA and Virgin Australia sign commercial agreement, ANA media release dated 17 January 2020. Available: https://www.anahd.co.jp/group/en/pr/202001/20200117.html

codeshares within Japan. ANA described the arrangements at the time as 'furthering ANA's commitment to expanding the Japan-Australia network.'[43]

Virgin Australia was due to launch Brisbane-Tokyo services on 29 March 2020, but at the onset of the Pandemic indicated it will not fly internationally in the short-medium term. More recently, Virgin Australia has flagged an intention to return to international flying, or at least re-engaging with international airline alliance partners:

> *'We haven't ruled out anything in terms of partnerships or alliances, we absolutely intend at the right time to go back to the markets we were flying in when the markets go back but we will have a strong suite of partners overseas from an alliance point of view and a frequent flyer point of view which we know is very important to the corporate market.'*[44]

Virgin Australia's new CEO recently stated that once international travel resumes, the carrier 'will partner again with the same overseas airlines as they always have'[45] whilst the Virgin Australia website indicates that the hold on selling with partner airlines is only 'temporary.'[46] In relation to resuming flying to Tokyo specifically, the new CEO has suggested an intention to return whilst not elaborating on a particular time frame:

> *"… we've got flexibility in aircraft, so I'm not giving you my projection on how long it's going to take – it could be less, it could be longer – and we've got flexibility."*[47]

These statements of intent in themselves impose an ongoing competitive constraint on the Applicants. **[REDACTED - CONFIDENTIAL]**

In addition, in January 2020, ANA entered into a joint venture with fellow Star Alliance member Singapore Airlines. The joint venture, subject to regulatory approvals, would provide customers with more seamless flight connectivity between the two carriers and access to a wider network. It would allow ANA and SIA to further strengthen their cooperation on services between Singapore and Japan, as well as in key markets including Australia.[48] It would extend beyond the existing arrangements between the carriers which already include codesharing, frequent flyer programs, lounge access and coordination on check-in baggage and connecting flights. If approved, this will impose a further constraint on the Applicants in relation to Australia-Japan services given that both ANA and Singapore Airlines are active in selling and pricing on this market.

In October 2020, ANA revealed plans to introduce a new airline brand in 2022 to service leisure travel in select Asian growth markets.[49] The yet-to-be-named subsidiary is described as being a low-cost model, which will sit between Peach Aviation and ANA, servicing medium-distance flights to destinations located in southeast Asia and Oceania. Low cost of operations will be achieved, ANA Holdings notes, by using 787 aircraft configured with 300 seats, with the new brand able to respond to 'sudden changes in demand'. ANA has stated that: *'ANA is embarking on an ambitious transformation that will strengthen operations and position it for long-term growth and success in a market still reeling from COVID-19.'*[50] It is possible that ANA may introduce new flying to Australia using this branded airline, particularly given the low barriers to entry and expansion in this market as described below.

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[43] See 'ANA and Virgin Australia sign commercial agreement, ANA media release dated 17 January 2020. Available: https://www.anahd.co.jp/group/en/pr/202001/20200117.html
[44] Former Virgin Australia CEO Paul Scurrah speaking at the CAPA Summit, 2 September 2020: *CAPA Alerts*, 3 September 2020.
[45] CEO Jayne Hrdlicka cited in 'Virgin Australia's new boss launches plan for revamped airline' ABC News Online, 18 November 2020. Available: https://www.abc.net.au/news/2020-11-18/new-virgin-australia-boss-jayne-hrdlicka-on-airline-future/12895048
[46] See further: https://www.virginaustralia.com/au/en/experience/airline-partners/ (accessed 16 December 2020)
[47] CEO Jayne Hrdlicka cited in "Virgin Australia CEO: Twin-aisle jets off the agenda until late 2022" in *Executive Traveller*, 9 December 2020. Available: https://www.executivetraveller.com/news/virgin-australia-ceo-usa-japan-flights-unlikely-until-late-2022
[48] 'All Nippon Airways and Singapore Airlines Deepen Partnership With Joint Venture Agreement,' Singapore Airlines media release, 31 January 2020. Available: https://www.singaporeair.com/en_UK/ch/media-centre/press-release/article/?q=en_UK/2020/January-March/jr0320-200131
[49] 'ANA preps launch' in *Travel Daily* 29 October 2020.
[50] ANA Holdings CEO Shinya Katanozaka cited in 'ANA preps launch' in *Travel Daily* 29 October 2020.

Singapore Airlines

Singapore Airlines is the flag carrier of Singapore with its main hub based at Singapore Changi Airport.[145] Pre-Pandemic, its fleet of wide-body Boeing and Airbus aircraft operated to over 63 destinations spanning Australasia, Asia, North America, Europe, Africa and the Middle East. As at December 2019, Singapore Airlines operated a fleet of 127 passenger aircraft.

Prior to the Pandemic, Singapore Airlines and its subsidiary SilkAir operated the third highest number of international flights to Australia after Qantas and Air New Zealand, with non-stop flights to eight destinations in Australia including: Adelaide, Brisbane, Cairns, Canberra, Darwin, Melbourne, Perth and Sydney. From Australia, Singapore Airlines and SilkAir operated daily services to these destinations with onward connections to six destinations in Japan[51] and through the Pandemic Singapore Airlines has continued to operate limited services to five destinations in Australia and three destinations in Japan.

As the largest indirect carrier between Australia and Japan, Singapore Airlines has competed aggressively on the Australia-Japan routes, particularly with sharp sale fares during off-peak periods to help drive load on its Australia-Singapore and Singapore-Japan flight. There are many examples of such pricing activity outlined in Table 8 above. Qantas and JAL have had to compete vigorously with such low prices.

Cathay Pacific

Cathay Pacific is the flag carrier of Hong Kong with its head office located at the Hong Kong International Airport. Prior to the Pandemic, Cathay Pacific operated to over 200 destinations across Asia-Pacific, Africa, Europe, the Middle East and North America and possessed a fleet of around 240 aircraft.

Cathay Pacific is one of the main indirect operators on Australia-Japan routes. Its Hong Kong hub provides efficient connections for Australia-Japan traffic. Prior to the Pandemic, it operated 76 weekly return services to five destinations in Australia and 118 weekly return services to nine destinations in Japan in conjunction with its subsidiary Cathay Dragon. Through the Pandemic, Cathay Pacific has operated to four destinations in Australia and one in Japan. Post Pandemic, it is expected that Cathay Pacific will resume serves between Hong Kong and Adelaide, Brisbane, Melbourne, Perth and Sydney with a combination of Airbus A330-300, A350-900, A350-1000 and Boeing 777-300ER aircraft.

Cathay Pacific and Cathay Dragon's broad network in Japan allows them the ability to connect Australia-Japan passengers via Hong Kong, with service to a range of cities in Japan including:

- Tokyo-Haneda;
- Tokyo-Narita;
- Fukuoka;
- Okinawa;
- Osaka-Kansai
- Nagoya;
- Sapporo;
- Niigata (on a seasonal basis); and
- Tokushima (on a seasonal basis).

Like Singapore Airlines, Cathay Pacific has been particularly aggressive in its pricing on Australia-Japan routes as shown in Table 8 above.

[51] Fukuoka, Hiroshima, Osaka-Kansai, Sapporo, Tokyo-Haneda and Tokyo-Narita.

Other Indirect Operators

There are a number of other indirect operators from Australasia to Japan. Prior to the Pandemic,[52] these included:

- Air New Zealand, operating services via Auckland;
- Philippine Airlines, operating services via Manila;
- China Airlines, operating services via Taipei;
- Thai Airways, operating services via Bangkok; and
- Malaysia Airlines, operating services via Kuala Lumpur.

No Barriers To Entry or Expansion

There are no material regulatory, commercial or operational barriers to entry or expansion on services between Australia and Japan.

The Australia-Japan air services arrangements permit the entry of multiple Australian and Japanese air passenger and freight carriers on the route between Australia and Japan. The open skies agreement between Australia and Japan, signed in 2011, provides for unrestricted capacity to operate international air services between the two countries (except to or from Tokyo's Haneda Airport). The air services arrangements provide for one frequency per day for an airline of each country to operate a passenger service between Australia and Haneda during prescribed late night and early morning hours (between 2200 and 0655 hours).[53] In 2019, the Japanese MLIT released four new Haneda day slot pairs for Australian (two slots pairs) and Japanese carriers (two slot pairs). These became available for use in April 2020. Further, slots at Tokyo's Narita Airport are also easy to obtain.

These open arrangements mean that expansion and new entry is possible and credible. As noted earlier, ANA has recently announced the creation of a new airline brand which may ultimately operate on routes between Australia and Japan.

Freight Competition

As outlined earlier, the JBA contemplates that the Applicants will work together to identify opportunities for collaboration in relation to freight services between Australia/New Zealand and Japan. While these details have not yet been progressed in detail pending interim authorisation being granted, it is expected that such collaboration will deliver additional benefits to customers in particular by increasing the freight capacity that would become accessible to customers of both Qantas and JAL. As noted above, this would be particularly beneficial to importers and exporters seeking to restore supply chain certainty post Pandemic.

Freight routes between Australia and Japan are highly competitive, with multiple operators providing direct and indirect services. These competitors include ANA Cargo, Cathay Pacific, Singapore Airlines, Malaysia Airlines, China Southern Airlines and Polar Air Cargo. Barriers to entry are similarly low, meaning that the threat of new entry and expansion of existing operators will continue to impose constraint on the Applicants.

Share information for freight operators between Australia and Japan is set out in Annexure F.

INTERIM AUTHORISATION

The Applicants seek urgent interim authorisation to facilitate immediate discussions and planning necessary to implement the network recovery and deliver consumer benefits across a more diverse range of city pairs on a faster, more certain and sustainable basis.

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[52] Source: scheduled network data, February 2020, Diio Mi.
[53] See further 'Haneda Airport open for Australian airlines', Media Release Hon Anthony Albanese MP, (then Minister for Transport), 30 September 2011. Available: https://anthonyalbanese.com.au/haneda-airport-opens-for-australian-airlines and https://www.executivetraveller.com/australia-japan-open-skies-agreement-flights-to-haneda-allowed).

The Applicants seek interim authorisation because:

- the Proposed Conduct inherently benefits consumers and the economy more generally, and will be implemented in a market which continues to be intensely competitive with major operators including All Nippon Airways (**ANA**), Cathay Pacific and Singapore Airlines actively vying for customers;
- the Applicants must commence working together immediately to plan the recovery, through coordinated sales and marketing of the reinstated services (including supporting JAL's existing limited Sydney-Tokyo service);
- without interim authorisation, there will be ongoing uncertainty and financial harm, given delays in the ability for the Applicants to plan the reinstatement and joint selling of services. As noted above, the longer it takes for the Proposed Conduct to be implemented **[REDACTED - CONFIDENTIAL]**; and
- interim authorisation will not cause detriment to others or give rise to permanent changes which would prevent the market returning to its pre-authorisation state if final authorisation is not granted, particularly in circumstances where the market remains in a state of severe disruption and flux, Qantas is not currently operating to Japan and JAL's current flying does not represent its proposed ongoing proposition.

Enhancing the timeliness and likelihood of reinstated capacity and providing schedule and connectivity options as soon as possible is particularly important at a time of great personal and economic challenge for consumers and businesses looking to travel between Australia and Japan.

Moreover, the sooner the Proposed Conduct can be implemented, the sooner it can help support the reinstatement of capacity across other parts of Qantas' international network. As noted earlier, by supporting Qantas' operations to Japan, Qantas will be better able to sustainably direct resources to other markets to rebuild links to other countries which will increase the public benefits to the Australian tourism industry and economy more generally.

Allowing price and capacity planning and coordination to occur immediately will ensure that Australia-Japan services, once reinstated, have the best prospect of success. The sooner that JAL and Qantas can commence joint planning, the faster that joint products and marketing campaigns will be able to be launched (pending the border openings between Australia and Japan). Improvements to pricing and schedule will require lead time for design and consultation prior to implementation. If leisure traffic is permitted for the rescheduled 2020 Summer Olympics in Tokyo, it will be critical to commence joint planning now in order to have joint services selling by July 2021.

[REDACTED - CONFIDENTIAL]

Any delay in being able to jointly sell and coordinate capacity puts a substantial amount of revenue at risk particularly where customers and industry partners will be looking for certainty to plan their activity in the coming financial year. **[REDACTED - CONFIDENTIAL]**

The ability to commence meaningful and detailed planning now, rather than delay effective implementation of the Proposed Conduct until after any final determination by the Commission, will help to rebuild consumer and trade confidence. Attempting to plan and sell any services now, without the support and involvement of the other carrier, would be problematic commercially and confusing for consumers and travel agents. Any lost momentum or inability to maximise selling opportunities would mean that loads are affected and potential revenue is impacted.

CONCLUSION

Despite significant challenges being continually presented by the COVID-19 Pandemic, and faced with fewer resources and uncertainty, the Applicants' cooperation and reliance on each other's network and abilities will be vital in the efforts to rebuild capacity across a diverse range of city pairs on a faster and more sustainable basis and improve connectivity between Australasia and Japan.

ANNEXURE A –RELATED BODIES CORPORATE

QANTAS

Entity	Country of Incorporation
AAL Aviation Limited	Australia
Airlink Pty Limited	Australia
Australian Air Express Pty Ltd	Australia
Australian Airlines Limited	Australia
Australian Regional Airlines Pty. Ltd.	Australia
Eastern Australia Airlines Pty. Limited	Australia
Express Freighters Australia (Operations) Pty Limited	Australia
Express Freighters Australia Pty Limited	Australia
H Travel Sdn Bhd	Malaysia
Hangda Ticket Agent (Shanghai) Co. Ltd	China
Holiday Tours & Travel (Korea) Limited	Korea
Holiday Tours & Travel (Singapore) Pte. Ltd.	Singapore
Holiday Tours & Travel Limited	Hong Kong
Holiday Tours & Travel Ltd	Taiwan
Holiday Tours & Travel Pte. Ltd.	Singapore
Impulse Airlines Holdings Proprietary Limited	Australia
Jetabout Japan, Inc.	Japan
Jetconnect Limited	New Zealand
Jetstar Airways Limited	New Zealand
Jetstar Airways Pty Limited	Australia
Jetstar Asia Airways Pte Limited	Singapore
Jetstar Asia Holdings Pty Limited	Australia
Jetstar Group Pty Limited	Australia
Jetstar Holidays Co. Ltd.	Japan
Jetstar International Group Australia Pty Limited	Australia
Jetstar International Group Japan Co., Ltd	Japan
Jetstar NZ Regional Limited	New Zealand
Jetstar Regional Services Pte. Ltd.	Singapore
Jetstar Services Pty Limited	Australia
Network Aviation Holdings Pty Ltd	Australia
Network Aviation Pty Ltd	Australia
Network Holding Investments Pty Ltd	Australia
Network Turbine Solutions Pty Ltd	Australia
Osnet Jets Pty Ltd	Australia
PT Pacto Holiday Tours	Indonesia
Q H Tours Ltd	Australia
Qantas Airways Domestic Pty Limited	Australia
Qantas Asia Investment Company (Singapore) Pte. Ltd.	Singapore
Qantas Asia Investment Company Pty Ltd	Australia
Qantas Cabin Crew (UK) Limited	United Kingdom
Qantas Courier Limited	Australia
Qantas Domestic Pty Limited	Australia
Qantas Foundation Trustee Limited	Australia
Qantas Freight Enterprises Limited	Australia
Qantas Frequent Flyer Limited	Australia
Qantas Frequent Flyer Operations Pty Limited	Australia
Qantas Ground Services Pty Limited	Australia
Qantas Group Accommodation Pty Limited	Australia
Qantas Group Flight Training (Australia) Pty Limited	Australia
Qantas Group Flight Training Pty Limited	Australia
Qantas Information Technology Ltd	Australia
Qantas Road Express Pty Limited	Australia
Qantas Superannuation Limited	Australia
Qantas Ventures Pty Ltd	Australia
QF A332 Leasing 1 Pty Limited	Australia

QF A332 Leasing 2 Pty Limited	Australia
QF BOC 2008-1 Pty Limited	Australia
QF BOC 2008-2 Pty Limited	Australia
QF Cabin Crew Australia Pty Limited	Australia
QF Dash 8 Leasing No. 4 Pty Limited	Australia
QF Dash 8 Leasing No. 5 Pty Limited	Australia
QF Dash 8 Leasing No. 6 Pty Limited	Australia
QF ECA 2008-1 Pty Limited	Australia
QF ECA 2008-2 Pty Limited	Australia
QF ECA A380 2010 No.1 Pty Limited	Australia
QF ECA A380 2010 No.2 Pty Limited	Australia
QF ECA A380 2010 No.3 Pty Limited	Australia
QF ECA A380 2010 No.4 Pty Limited	Australia
QF ECA A380 2011 No.1 Pty Limited	Australia
QF ECA A380 2011 No.2 Pty Limited	Australia
QF EXIM B787 No.1 Pty Limited	Australia
QF EXIM B787 No.2 Pty Limited	Australia
QH International Co. Limited.	Japan
Regional Airlines Charter Pty Limited	Australia
Southern Cross Insurances Pte Limited	Singapore
Sunstate Airlines (Qld) Pty. Limited	Australia
Taylor Fry Holdings Pty Limited	Australia
Taylor Fry Pty Limited	Australia
The Network Holding Trust	N/A
The Network Trust	N/A
Vii Pty Limited	Australia

JAL

JAPAN TRANSOCEAN AIR CO., LTD.
JAPAN AIR COMMUTER CO., LTD.
J-AIR CO., LTD.
ZIPAIR TOKYO CO., LTD.
HOKKAIDO AIR SYSTEM CO., LTD.
RYUKYU AIR COMMUTER CO., LTD.
JETSTAR JAPAN, CO. LTD.
JAL ENGINEERING CO., LTD.
JAL MAINTENANCE SERVICE CO., LTD.
JAL KANSAI AIRCARGO SYSTEM CO., LTD.
JAL CARGO SERVICE CO., LTD.
JAL CARGO HANDLING CO., LTD.
JAL CARGO SERVICE KYUSHU CO., LTD.
JUPITER GLOBAL, LTD. Hong Kong
JAL NAVIA CO., LTD.
JAL MILEAGE BANK CO., LTD.
JAL ROYAL CATERING CO., LTD.
JALPAK CO., LTD.
JAL SALES CO., LTD.
JAL JTA SALES CO., LTD.
JALPAK INTERNATIONAL HAWAII, INC. USA
JALPAK INTERNATIONAL (EUROPE) B.V.
JALPAK INTERNATIONAL (FRANCE) S.A.S.
EURO-CREATIVE TOURS (U.K.) LTD.
JALPAK INTERNATIONAL ASIA PTE. LTD. Singapore
JAL SATELLITE TRAVEL CO., LTD. Hong Kong
PT. TAURINA TRAVEL DJAYA Indonesia

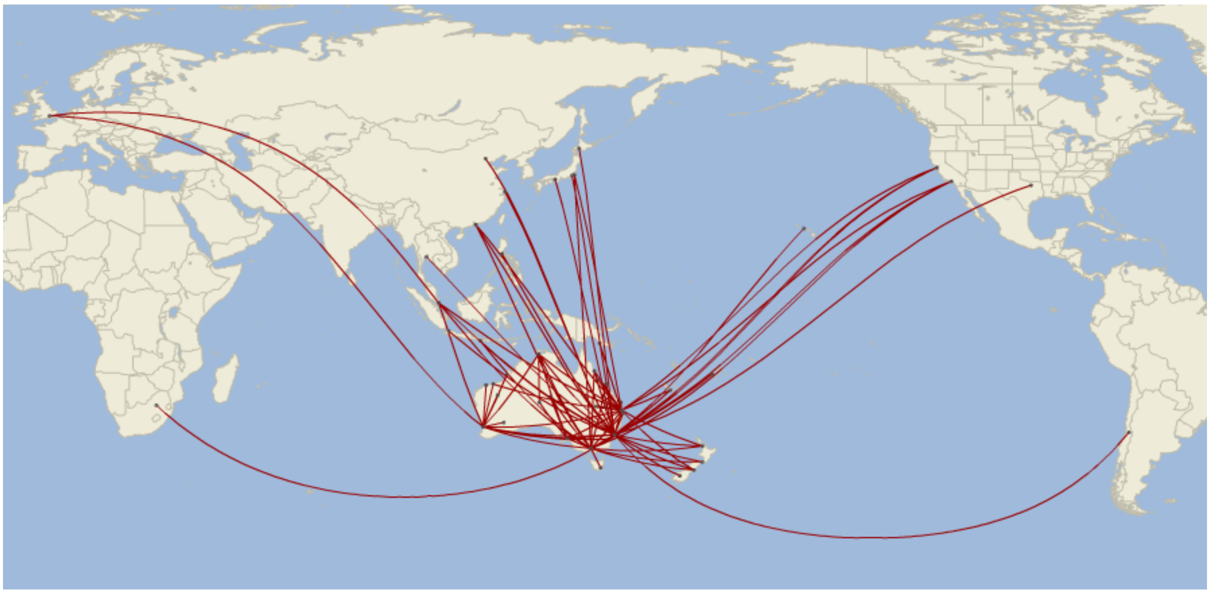
JAL SKY CO., LTD.
JAL SKY AIRPORT OKINAWA COMPANY., LTD.
JALSKY OSAKA CO., LTD.
JALSKY KYUSHU CO., LTD.
JALSKY SAPPORO CO., LTD.
JALSKY KANAZAWA CO., LTD.
JALSKY SENDAI CO., LTD.
JAL GROUND SERVICE CO., LTD.
JAL GROUND SERVICE OSAKA CO., LTD.
JAL GROUND SERVICE KYUSHU CO., LTD.
JAL GROUND SERVICE SAPPORO CO., LTD.
JAL AIRTECH CO., LTD.
JAL ABC, INC.
JAL INFORMATION TECHNOLOGY CO., LTD.
JAL DIGITAL EXPERIENCE CO., LTD.
JAL PAYMENT PORT CO., LTD.
JAL CARD, INC.
JAL FACILITIES CO., LTD.
JAL BUSINESS AVIATION CO., LTD.
AXESS INTERNATIONAL NETWORK, INC.
JAL AGRIPORT CO., LTD.
JAL HONGYUAN CO., LTD.
JAL BRAND COMMUNICATIONS CO., LTD.
JTA INFORMATION & COMMUNICATION CO., LTD.
JAL SBI FINTECH CO., LTD.
JAL SUNLIGHT CO., LTD.
OFFICIAL FILING CO., LTD.
JPRO CO., LTD.
JLC INSURANCE COMPANY LIMITED, USA

CONFIDENTIAL ANNEXURE B – JBA AND ASSOCIATED COMMERCIAL AGREEMENTS

Please see attached

[REDACTED - CONFIDENTIAL]

ANNEXURE C – QANTAS ROUTE MAP (PRE-PANDEMIC)



Qantas-operated network (February 2020)

Source: DiioMi

ANNEXURE D – JAL ROUTE MAPS

Please see attached

ANNEXURE E – AUSTRALIA-JAPAN ROUTE SPECIFIC SHARE INFORMATION

Table 1: Sydney-Tokyo Passenger Share, Calendar Year 2019 (all POS)

Operating Carrier	Estimated Passengers	Percentage
Qantas	204,824	43.7%
ANA	95,865	20.4%
JAL	81,903	17.5%
Jetstar	20,083	4.3%
Cathay Pacific	17,424	3.7%
Philippine Airlines	13,668	2.9%
Singapore Airlines	8,241	1.8%
China Airlines	4,583	1.0%
Other	22,582	4.8%

Source: IATA DDS

Table 2: Melbourne-Tokyo Passenger Share, Calendar Year 2019 (all POS)

Operating Carrier	Estimated Passengers	Percentage
Qantas	163,480	50.6%
JAL	79,554	24.6%
Jetstar	16,143	5.0%
Philippine Airlines	14,684	4.5%
Cathay Pacific	10,715	3.3%
Singapore Airlines	9,685	3.0%
AirAsiaX	5,055	1.6%
Royal Brunei Airlines	3,528	1.1%
Malaysia Airlines	3,380	1.0%
Other	17,143	5.3%

Source: IATA DDS

Table 3: Brisbane-Tokyo Passenger Share, Calendar Year 2019 (all POS)

Operating Carrier	Estimated Passengers	Percentage
Qantas	146,736	77.2%
Singapore Airlines	10,435	5.5%
Jetstar	6,980	3.7%
Philippine Airlines	4,974	2.6%
Cathay Pacific	4,174	2.2%
China Airlines	3,469	1.8%
EVA Air	2,728	1.4%
JAL	2,478	1.3%
Malaysia Airlines	1,929	1.0%
Other	6,242	3.3%

Source: IATA DDS

ANNEXURE F – AUSTRALIA-JAPAN FREIGHT MARKET SHARE INFORMATION

Table 1: Total Share of Freight and Mail: Australia to Japan, 2015-2019 (direct volume only)

Calendar Year	Qantas	JAL	Approx. Total
2015	60%	36%	96%
2016	38%	26%	64%
2017	31%	21%	52%
2018	23%	34%	57%
2019	25%	37%	62%

Source: BITRE

Table 2: Total Share of Freight and Mail: Japan to Australia, 2015-2019 (direct volume only)

Year	Qantas	JAL	Approx. Total
2015	30%	28%	58%
2016	26%	23%	49%
2017	28%	24%	52%
2018	30%	29%	59%
2019	33%	28%	60%

Source: BITRE

CONFIDENTIAL ANNEXURE G – RELEVANT QANTAS BOARD AND SENIOR MANAGEMENT DOCUMENTS

[REDACTED - CONFIDENTIAL]

CONFIDENTIAL ANNEXURE H – RELEVANT JAL BOARD AND SENIOR MANAGEMENT DOCUMENTS

[REDACTED - CONFIDENTIAL]