
**JOINT SUBMISSION IN SUPPORT OF AN APPLICATION FOR AUTHORISATION
OF THE EXPANDED JOINT BUSINESS AGREEMENT**

NON-CONFIDENTIAL VERSION - RESTRICTION OF PUBLICATION OF PART CLAIM

British Airways plc

Qatar Airways Group Q.C.S.C.

Iberia Líneas Aéreas de España, S.A. Operadora



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1 Executive summary

On 7 May 2020, the Australian Competition and Consumer Commission (**Commission**) granted authorisation enabling British Airways plc (**BA**) and Qatar Airways Group Q.C.S.C (formerly known as Qatar Airways Q.C.S.C.) (**QR**) to coordinate air passenger services on routes between Australia and the United Kingdom (**UK**) / Europe (**May 2020 Authorisation**).¹

The May 2020 Authorisation and the Joint Business Agreement covered various routes between the UK and Qatar, including the trunk route of London-Doha, and more than 80 routes behind and beyond each of London and Doha.²

The objective of the existing joint business arrangement (**Existing QJB**) was to offer greater choice and increased benefits to customers, which would ultimately add commercial value to both organisations.

BA and QR, in conjunction with Iberia Líneas Aéreas de España, S.A. Operadora (**IB**) (**Parties**) each intend to enter into a joint business arrangement (**Expanded QJB**) that builds and expands on the current arrangement between BA and QR, increasing the level of co-operation and geographic coverage between the Parties to the benefit of customers.

Each joint co-operation arrangement under the Expanded QJB will be entered into pursuant to separate agreements but will form part of the overall commercial co-operation arrangement between the Parties.³

Under the Expanded QJB, there will be increased joint business between BA, QR and IB on routes between:

- (a) (i) the UK and Europe, and (ii) certain destinations in the Middle East, Asia (excluding China, Japan and South Korea), Eastern and Southern Africa and Australasia; and
- (b) (i) the Middle East, Asia (excluding China, Japan and South Korea), Eastern and Southern Africa and Australasia, and (ii) Latin America.

Pursuant to the Expanded QJB, the Parties will incrementally expand their codeshare and co-operation under the Existing QJB. The Parties envisage coordinating all of their passenger-related activities with the aim of providing a seamless product to passengers. The Parties intend to achieve an overall coordination of their activities by adding Sydney as an end destination point and including IB as a member of the Expanded QJB. Adding Sydney as a destination point will enhance the Parties' ability to incrementally expand the existing codeshare and co-operation arrangements and enable overall coordination around scheduling, pricing, marketing, sales, passenger handling and revenue management, among others. This will lead to enhanced connectivity and service offering to customers in a more efficient and seamless manner. A list of all routes, which are the subject of this application for authorisation, is attached as Annexure 1 (**Proposed Conduct**).

The Expanded QJB is expected to provide passengers with further optimised scheduling across BA, QR and IB, leading to greater efficiencies in meeting capacity demands and generating cost savings for customers. The Parties will coordinate the schedules of services operated by each Party in order to minimise connecting passenger waiting time and to maximise passenger convenience and service.

This joint application for interim and final authorisation is based on evidence, as required by subsections 90(7) and (8) of the *Competition and Consumer Act 2010* (Cth) (**Act**), that the Proposed Conduct:

¹ See: AA1000463-1. The May 2020 Authorisation covers the BA and QR's air passenger services on: i) all routes between the UK and Doha, including, the trunk route London-Doha; ii) routes connecting to/from the London-Doha trunk route at London to origins and destinations in Western Europe that QR does not operate to; and iii) routes connecting to/from the London-Doha trunk route at Doha to O&Ds in Asia, Africa and Australasia that BA does not operate to.

² These routes comprised of all routes between (1) Australian cities which are offline to BA and (2) the UK and cities in Western Europe which are offline to QR. Routes where the origin and destination port was Sydney were outside the scope of the May 2020 Authorisation.

³ At the time of lodgement, it is the intention of the Parties to add IB to the Expanded QJB in late 2022 / early 2023.



- (a) will result in benefits to the public through increased connectivity, more compelling travel options for passengers wishing to travel on those routes, lower fares, improved customer service and efficiencies through increased coordination. Adding Sydney as a destination point will help achieve these benefits by enabling the Parties to coordinate, for example, on scheduling, pricing, marketing, sales, passenger handling and revenue management; and
- (b) will not result in any detriment to the public, including because the relevant area of competition is, and will continue to be, subject to vigorous competition and the Proposed Conduct will not have any meaningful impact on the concentration of suppliers of international passenger airline services on any of the routes the subject of the Proposed Conduct.

The Parties also wish to apply to the Commission for interim authorisation, as they are aiming to implement the Expanded QJB in Australia as soon as possible but no later than 1 January 2023.

The grant by the Commission of an interim authorisation in relation to the Proposed Conduct will not result in any public detriment, and will result in the earlier realisation of significant public benefits.

In particular, the Parties consider that it is important to obtain interim authorisation so they have sufficient lead time to implement arrangements for the scheduling of flights and marketing and sales, which typically occur in large blocks (i.e., for an entire summer or winter season, or sometimes, on an annual basis). Accordingly, the sooner the Parties are able to cooperate, the sooner they can start detailed planning and coordination in respect of these matters. Delays in implementation may also lead to a potential loss in sales and consumer benefits for an entire season, and the ability to sell tickets in advance up to around one year ahead of travel.

2 No material differences from the May 2020 Authorisation

The Parties submit that, in terms of Australia, there is no meaningful difference in the substance or effect of the Proposed Conduct under the Expanded QJB and that there are no grounds upon which the Commission could reach a different conclusion to that which it reached in granting the May 2020 Authorisation in relation to the Existing QJB.

The Expanded QJB will increase the geographic scope of the cooperation between BA and QR, enabling deeper cooperation and realisation of further efficiencies and customer benefits. This will enable the Parties, particularly through the inclusion of Sydney as a destination point, to provide enhanced connectivity and service offering to customers travelling to/from Australia in a more efficient manner.

IB does not operate (and has never operated) flights to/from Australia. The addition of IB will simply provide customers with greater connectivity to destinations within IB's network when travelling to/from Australia. As such, its addition to the Expanded QJB will not affect relevant competition dynamics on routes to/from Australia due to the complementary nature of IB services and the lack of meaningful overlaps.

The relevant factors and considerations applied by the Commission for the purposes of the May 2020 Authorisation continue to be relevant for the purposes of this joint application for authorisation. As discussed below, those relevant factors and considerations have been applied recently by the Commission.

2.1 The May 2020 Authorisation

The May 2020 Authorisation identified and analysed (in particular) nine “behind and beyond” routes that met a minimum density threshold of an estimated 20,000 passengers per annum, with the Commission recognising the European Commission’s decisional threshold practice of a minimum of 30,000 customers per annum.⁴

⁴ May 2020 Authorisation at [1.10].



For the purposes of the May 2020 Authorisation, the Commission considered “the primary area of competition” to be “international passenger transport services on routes between Australia and the UK/Europe”. On those bases, the Commission concluded that:

- (a) the conduct “is likely to result in public benefits from enhanced products and services due to more convenient travel options and improved customer services”;⁵ and
- (b) the conduct “is unlikely to result in public detriments in the form of unilateral or coordinated effects, given the Existing QJB and the strength of competitors on relevant routes”.⁶

In fact, the Commission concluded that “the Australia to UK/Europe route continues to be highly competitive” and that “the presence of numerous vigorous competitors will limit the possibility of competitive harm flowing from the Applicants’ coordination on the B&B Routes”.⁷

2.2 The Singapore Airlines and Deutsche Lufthansa AG authorisation determination

The Commission has recently granted an authorisation to Singapore Airlines and Deutsche Lufthansa AG (**Singapore Airlines Determination**).⁸

The Determination is instructive in the context of this joint application for authorisation in that the Commission assessed the Singapore Airlines Determination on the basis that “*the relevant areas of competition are likely to be international air passenger transport services between Australia and Europe (including the United Kingdom)*”,⁹ the same area of competition as the Commission applied in the May 2020 Authorisation and as is relevant in the context of this joint application for authorisation.

The Commission concluded that “*the Australia to Europe (including the United Kingdom) routes, while currently significantly impacted by the COVID-19 pandemic, are likely to continue to be highly competitive over the 5 year term of the re-authorisation sought*”¹⁰ and that “*the presence of numerous vigorous competitors will limit the possibility of competitive harm flowing from the Applicants’ coordination on these routes*”.¹¹

In relation to public benefits, the Commission considered that the conduct “*is likely to result in public benefits in the form of an enhanced product and service offering and cost savings and efficiencies*” and that the conduct “*may result in some small public benefits in the form of increased competition in international air passenger transport markets, and stimulation of tourism*”.¹²

In relation to public detriments, the Commission considered that the conduct “*is unlikely to result in public detriment due to lack of overlap in services offered by the Applicants, Lufthansa’s limited presence on routes to Australia, and the strength of competitors on relevant routes*”.¹³

2.3 This joint application for authorisation

(a) **Similarities with the May 2020 Authorisation and the Singapore Airlines Determination**

As noted above, the relevant area of competition for each of the May 2020 Authorisation, the Singapore Airlines Determination and this joint application for authorisation is the same; namely, international air passenger transport services between Australia and Europe, including the United Kingdom.

⁵ May 2020 Authorisation at [4.22].

⁶ May 2020 Authorisation at [4.38].

⁷ May 2020 Authorisation at [4.37].

⁸ ACCC, Determination - Singapore Airlines Limited and Deutsche Lufthansa AG in respect of Cooperation on Services on Certain Routes, 11 February 2022.

⁹ Singapore Airlines Determination at [4.4].

¹⁰ Singapore Airlines Determination at [4.35].

¹¹ Singapore Airlines Determination at [4.36].

¹² Singapore Airlines Determination at [4.38].

¹³ Singapore Airlines Determination at [4.39].



Further, as discussed below, the public benefits are similar, and the lack of any public detriments (in particular, the strength of competitors on relevant routes) is consistent, as between them.

(b) ***The primary distinction between the May 2020 Authorisation and this joint application for authorisation***

The Expanded QJB will increase the geographic scope of the cooperation between the Parties, enabling realisation of further efficiencies and customer benefits.

The primary distinctions are the inclusion of Sydney as an end destination point (in particular, the London-Sydney route) and the addition of IB to the QJB, neither of which (for the reasons explained in this application) alter the competitive dynamics on any route, or the choice consumers will continue to enjoy.

2.4 The inclusion of the London-Sydney route and Sydney as a destination point

The Existing QJB does not include any routes for which Sydney is the destination, including the London-Sydney trunk route.

However, the Expanded QJB includes this route, and as evidenced most recently by the Singapore Airlines Determination, co-operation on the London-Sydney route will result in substantial public benefits, will be subject to vigorous competition and will not result in any public detriment or provide the Parties with any ability or incentive to, for example, increase prices or decrease services. On the contrary, co-operation on this route will enable the Parties to offer customers a more compelling offering through joint sales and improved scheduling and pricing on routes behind and beyond both London and Sydney.

As detailed below (see section 9.1(a) and Annexure 3), and as recognised and accepted by the Commission most recently in the Singapore Airlines Determination, the London-Sydney route is highly contestable.

A number of well-established, large carriers operate on this route, including Qantas, Emirates, Singapore Airlines, and Etihad. Pre-Covid (i.e., 2018 and 2019), on an origin and destination basis, c.1,100,000 passengers flew this route annually. In both seasons of 2019, the Parties' combined passenger share across any passenger class was less than 18.55%.

The Parties submit that the inclusion of the London-Sydney route will not have any effect on the competitive dynamics on this route. This route will remain highly contestable, and the Parties will face vigorous competition from established carriers, at least two of which will have a higher share on that route than that of the Parties combined.

2.5 The addition of Iberia to the QJB

IB does not fly to any Australian destinations.

The attraction for QR of partnering with IB and BA is to gain access to IB's European network and routes behind and beyond Madrid. Also, the Expanded QJB will allow IB to access QR destinations behind and beyond Doha, in efficient terms.

This will enable the Parties to offer customers with improved access to more destinations, at attractive fares, with improved flexibility and better service.

The routes currently flown by IB are all highly remote connections within an Australian context and the addition of IB to the Expanded QJB will not provide any ground to alter the substantive considerations and conclusions of the Commission in connection with the May 2020 Authorisation.

With reference to the passenger share data included at Annexure 3, IB's presence is negligible. IB volumes appear only in two routes, both of which are de minimis by any measure. The first route is Barcelona-Sydney (BCN-SYD) where IB's total annual passenger share for 2019 was 0.03%, which accounts for 10 passengers. The second route is Madrid-Sydney (MAD-SYD) where IB's total annual passenger share for 2019 was 0.43%, which accounts for 150 passengers. Importantly, these volumes are IB codeshare sales on flights operated by QR (via Doha) or by BA (via LON).



2.6 Confidential Rationale for Expanded QJB

[CONFIDENTIAL]

3 Methodology to identify the 10 Routes

3.1 All routes covered

The Proposed Conduct covers all existing and future routes falling within the scope of the QJB and this joint application for authorisation applies to all of them. These territories and the existing routes are listed under Annexure 1, with many of them having no meaningful connection with Australia and thus very low passenger volumes.

As a result, although this joint application for authorisation covers all territories and routes listed under Annexure 1, below is the approach followed by the Parties to identify routes (by reference to volume and passenger share thresholds) that are considered most relevant for the Commission's assessment in relation to the Proposed Conduct. This is consistent with the approach adopted and accepted by the Commission during the May 2020 Authorisation.

Notably, the Parties' passenger share accretion on almost all the routes is nominal and well under 5%. On the routes where the Parties may hold a larger share or where the share increment is above 5%, these routes have lower passenger volumes (meaning that the actual number of passengers that make up the shares is very low) and the Parties will continue to face vigorous and effective competition.

3.2 Identifying the 10 Routes

(a) Data source

For purposes of assessing passenger density on the routes covered by the QJB, the 2019 IATA data¹⁴ is the most recent data available that is likely to give an accurate indication of the normal competitive state of the market by reference to which the Commission should assess the Proposed Conduct.

More recent data from 2020 and 2021 is heavily distorted by the unprecedented disruption to global air passenger services caused by COVID-19. The nature and extent of this disruption, and consequential distortion has been recognised by the Commission.¹⁵

This is especially the case given that QR was one of the few global airlines that maintained flights to and from Australian destinations during COVID, despite severe reduction in passenger demand and resultant financial losses. This ensured Australian citizens could return home from overseas.

In mid-2020, QR was carrying approximately 30% of all passengers flying into and out of Australia, which was the largest share of any global airline, followed by Singapore Airlines and Emirates. As is well known, Qantas had limited inbound flights during that period.

As such, assessing the competitive effects of the Proposed Conduct on passenger share data from 2020 or 2021 would significantly exaggerate and distort the passenger share that the Parties are likely to have as international air passenger services return to normal market conditions. This would not provide the Commission with an accurate or factual depiction of the competitive dynamics on all routes covered by this joint application for authorisation. However, for completeness, the Parties have also provided the passenger share data for the 10 Routes from 2020 to 2022 in Annexure 4. Please note this data does not apply the thresholds explained below (i.e., is provided irrespective of passenger volume or a minimum market share threshold).

(b) Thresholds applied

The Parties have no direct/direct overlaps and only one direct/indirect overlap (LON-SYD). All other overlaps are indirect/indirect reflecting the complementary nature of the Parties' networks. In

¹⁴ Carriers can purchase access to IATA's Direct Data Solutions (DDS), which provides them a single global dataset of airline sales, market and itinerary data. See <https://www.iata.org/en/services/statistics/intelligence/direct-data-solutions/>

¹⁵ See, for example, Qantas Airways Limited and American Airlines Inc., 25 March 2021 at [2.7] to [2.18].



order to assist the Commission and to narrow the focus on routes that carry moderate passenger volumes and where the Parties are more active, the Parties have adopted a staged approach and applied the following distilling process across all the routes identified at Annexure 1.

The Parties first considered the annual passenger volumes across each of these routes where the annual passenger volumes exceeded 20,000 passengers. This volume number comprises all passengers from all carriers who flew the route, on an origin and destination basis.

The Parties note that although the European Commission's decisional threshold practice for direct/indirect and indirect/indirect overlaps is 30,000 passengers per annum, the more conservative threshold of 20,000 passengers per annum has been used for purposes of this joint application. This is in line with the threshold adopted in the May 2020 Authorisation.

Applying this threshold, 42 routes were identified as having annual passenger volumes in excess of 20,000 passengers. A full list of these routes is included at Annexure 2.

This list included many routes where the Parties (and particularly, BA and IB) have little to no presence. For example, the Athens to Melbourne (ATH-MEL) route saw c.64,000 passengers travel in 2019 but at no point (in any season and across any passenger class) did BA and/or IB have a passenger share above 0.2%.

On this basis, the Parties then identified routes from the list of 42 routes that met the following two criteria:

- (i) a combined passenger share of the Parties on the route of at least 25%; and
- (ii) each Party's share of traffic via the route was at least 2%.

These criteria are in line with the European Commission's decisional practice and have been adopted to assist the Commission with its substantive analysis.¹⁶

Further, these criteria were applied across both the winter and summer seasons, irrespective of passenger class (i.e., premium or non-premium)¹⁷ and if the criteria were met for only one season or in only one passenger class, it was identified and flagged for assessment.

On this basis, the Parties identified the following nine behind and beyond routes:

- (a) Copenhagen - Sydney (CPH-SYD)
- (b) Barcelona - Sydney (BCN-SYD)
- (c) Dublin - Sydney (DUB-SYD)
- (d) Madrid - Sydney (MAD-SYD)
- (e) Rome - Sydney (ROM-SYD)
- (f) Manchester - Sydney (MAN-SYD)
- (g) Munich - Sydney (MUC-SYD)
- (h) Edinburgh - Sydney (EDI-SYD)
- (i) Stockholm - Sydney (STO-SYD).

Although the London - Sydney (LON-SYD) route does not meet the 25% passenger share threshold, because it is the only direct / indirect overlap route covered by the Expanded QJB, the Parties have provided the Commission with a substantive assessment of this route.

¹⁶ See: [Case M.9287 - CONNECT AIRWAYS / FLYBE \(2019\)](#); [Case No M.7541 - IAG / AER LINGUS \(2015\)](#); and [Case No COMP/M.7333 - ALITALIA / ETIHAD \(2014\)](#). The European Commission, for long-haul flights, applies a 30,000-passenger threshold however, the Parties have adopted a more conservative 20,000 passenger threshold.

¹⁷ The Parties have provided passenger data split under premium and non-premium categories in line with European Commission precedents, which consider individual city-pair O&Ds and split out premium and non-premium passengers. Non-premium passengers are those purchasing restricted economy fares and premium passengers are those purchasing all other fares (i.e. unrestricted economy fares in the Economy cabin and all fares in Premium Economy, Business, and First cabins). Accordingly, the "non-premium" category is similar to and sometimes called "non-time sensitive", and "premium" is similar to and sometimes called "time-sensitive".



This route as well as the nine other routes mentioned above, are collectively referred to in this joint application as the “10 Routes”. Further, passenger share data on each of the 10 Routes is included at Annexure 3.

For the purposes of the substantive analysis (see sections 6, 9, and 10), the Parties have focused on the 10 Routes. As detailed below, across all the routes (including the 10 Routes), all of the established carriers will continue to vigorously compete in terms of pricing, frequencies and scheduling, and product offering. The Expanded QJB, primarily because of the nominal passenger share accretion, will not impact the competitive dynamics across any of these routes.¹⁸

4 Application for interim and final authorisation for the Proposed Conduct

Pursuant to the Expanded QJB, the Parties wish to co-ordinate their air passenger services on services between Australia and the UK / Europe and engage in the Proposed Conduct.

The Proposed Conduct will involve the Parties coordinating all of their passenger related activities including: schedule coordination, capacity planning, revenue management, sales and marketing activities, passenger handling, service procedures and frequent flyer programmes (FFP) with the aim of providing a seamless product to passengers. The Parties will also use good faith efforts to identify, discuss, and reach agreement on mutually agreed areas of cooperation to derive further cost synergies.

For the purposes of the Act, the Parties might be regarded as competitors or likely competitors in relation to the supply of these services, likely competitors in relation to the supply of other services and competitors or likely competitors in relation to the acquisition of goods and services used in operating on the routes.

The Commission may, if the authorisation test is met, grant an authorisation for conduct to which one or more of the provisions in Part IV of the Act would or might apply. It might be regarded that Division 1 of Part IV (cartel conduct) and/or section 45 of the Act might apply to the Proposed Conduct. In any event, it is universally accepted that airline code share and related coordinated arrangements that have a connection with departures from, or destinations within, Australia, are authorised under Division 1 of Part VII of the Act.

Consequently, the Parties are jointly applying to the Commission for:

- (a) interim authorisation pursuant to subsection 91(2)(d) of the Act to commence engaging in the Proposed Conduct as soon as possible; and
- (b) authorisation of the Proposed Conduct under subsection 88(1) of the Act for a term of five years.

¹⁸ We also note that the European Commission considers that direct - indirect and indirect - indirect O&D are not typically problematic and unlikely to raise competition concerns, since the usual availability of competing direct or other indirect services via competing hubs should sufficiently constrain Parties' market behaviour. However, the Parties have, out of an abundance of caution, assessed the competitive conditions on certain direct - indirect and indirect - indirect routes that meet the relevant filters to demonstrate the de minimis effect the Expanded QJB will have on competition (and that the Parties will remain subject to vigorous and effective competition on all relevant routes).



5 Parties to the Proposed Conduct

5.1 British Airways

BA is the UK's flag carrier and one of the world's leading global premium carriers.

Its principal place of business is London, with significant presence at Heathrow, Gatwick and London City Airports. BA operates one of the most extensive international scheduled airline route networks. Before COVID, BA carried more than 40 million customers a year.

BA has a fleet of nearly 280 aircraft. BA, along with IB, is part of International Airlines Group (IAG),¹⁹ one of the world's largest airline groups. BA is also a member of the oneworld global airline alliance.

For more information, please refer to BA's fact sheets - see: <https://mediacentre.britishairways.com/factsheets>.

BRITISH AIRWAYS

Address (registered office)	Waterside, Harmondsworth, Middlesex, UB7 0GB, United Kingdom
Telephone number	[CONFIDENTIAL]
ACN	Not Applicable
Description of business activities in Australia	Passengers travelling with BA to Australia have a choice of flying to Australia via Singapore on BA's direct service, or via Hong Kong, Tokyo or Doha in combination with BA's oneworld partners.
Email address for service of documents in Australia	Wayne Leach (redacted), Christopher Kok (redacted) and Tripti Malhotra (redacted)

5.2 Qatar Airways

Founded in 1997, QR provides international air transportation services and is the national carrier of the State of Qatar.

It is one of the fastest growing airlines and operates one of the youngest fleets in the world with over 208 passengers²⁰ and cargo aircraft flying to over 150 destinations from its hub in Doha. QR currently has codeshare agreements oneworld partners and a range of other carriers globally.

QR's Privilege Club (QRPC) loyalty program has partnerships with a number of international airlines, hotels, car rental companies, banks and other partners worldwide. As noted below, QR and IAG Loyalty (the loyalty segment of the IAG group of companies) have entered into an agreement for QR to use Avios as its loyalty currency worldwide for its QRPC members.

¹⁹ IAG is the parent company of Aer Lingus, BA, Iberia, Vueling and LEVEL. As of March 2022, QR's investment portfolio includes a 25.1% stake in IAG.

²⁰ Please note that in addition to 208 operational aircraft, currently 23 of QR's Airbus A350 are grounded over safety reasons and 2 Airbus A380 are in storage.



For more information, please refer to QR's fact sheet (as at April 2022) - see: <https://www.qatarairways.com/content/dam/documents/presskit/Qatar%20Airways%20Factsheet%20-%20English.pdf>.

QATAR AIRWAYS

Address (registered office)	Qatar Airways Tower 1, Airport Road, Doha, Qatar
Telephone number	[CONFIDENTIAL]
ACN	Not applicable
Description of business activities in Australia	In 2015, the Australian and Qatari Governments approved an expanded Air Services Agreement, paving the way for increased flights between the two countries. The Agreement allows Qatari or Australian airlines to operate up to 21 flights a week between Qatar and major Australian gateway airports. QR offers daily non-stop flights from Sydney, Melbourne, Adelaide, and Perth to Doha, and 'direct' flights from Canberra to Doha via Melbourne.
Email address for service of documents in Australia	Wayne Leach ([REDACTED]), Christopher Kok ([REDACTED]) and Tripti Malhotra ([REDACTED])

5.3 Iberia

IB is Spain's largest airline and the leading carrier between Europe and Latin America.

It belongs to the IAG group and is a member of the oneworld airline alliance.

Along with Iberia Express and Iberia Regional Air Nostrum, IB flies from its Madrid hub to approximately 43 countries and has an Iberia Group fleet of nearly 140 aircraft.

For more information, please refer to IB's official website - see: <https://www.iberia.com/>.

IBERIA

Address (registered office)	C/ Martínez Villergas, 49 28027 Madrid
Telephone number	[CONFIDENTIAL]
ACN	Not applicable
Description of business activities in Australia	Not applicable
Email address for service of documents in Australia	Wayne Leach ([REDACTED]), Christopher Kok ([REDACTED]) and Tripti Malhotra ([REDACTED])



6 Authorisation for the Proposed Conduct

The Parties submit that the Commission should authorise the Proposed Conduct and grant the application for interim authorisation of the Proposed Conduct.

6.1 Authorisation test

Under subsections 90(7) and 90(8) of the Act, where, apart from an authorisation under section 88 of the Act, a provision of Part IV of the Act, would or might apply to conduct proposed to be engaged in by a person, the Commission may grant an authorisation in respect of that conduct where the Commission is satisfied that:

- (a) the conduct would not have the effect, or would not be likely to have the effect, of substantially lessening competition; or
- (b) the conduct would result, or be likely to result, in a benefit to the public and the benefit would outweigh the detriment to the public that would result, or be likely to result, from the conduct.

The Parties submit that:

- (a) the Proposed Conduct will not result in any lessening of competition or other public detriment, including uncompetitive pricing or uncompetitive service levels; and
- (b) the Proposed Conduct will result in significant public benefits, including lower fares and increased efficiencies, avoided costs and inefficiencies and increased competition on routes.

6.2 Interim authorisation

The Parties are applying for interim authorisation as soon as possible to give effect to the Proposed Conduct pending the outcome of the Commission's final determination on authorisation.

In line with the Commission's Guidelines for Authorisation of Conduct (non-merger) (**Guidelines**), the Parties request the Commission to grant interim authorisation within 28 days.

Under subsection 91(2)(d) of the Act the Commission may, at any time, in the case of an application for authorisation, grant an authorisation that is expressed to be an interim authorisation.

The Guidelines state that, when assessing an application for interim authorisation, the Commission considers:

- (a) the objective of the Act, which includes enhancing the welfare of Australians through the promotion of competition;
- (b) the extent to which the relevant market will change if interim authorisation is granted. Interim authorisation is more likely to be granted when it will maintain the market status quo. Interim authorisation is unlikely to be granted if doing so would permanently alter the competitive dynamics of the market or inhibit the market from returning to its pre-interim state if final authorisation is later denied;
- (c) the urgency of the need for interim authorisation;
- (d) the possible harm to the applicant if the request for interim authorisation is denied;
- (e) the possible harm to other applicants (such as customers or competitors) if the request for interim authorisation is granted or denied; and
- (f) any possible public benefits or detriments that the Commission can assess at the time of considering the request for interim authorisation.

For commercial reasons, it is important for the Parties to be able to engage in the Proposed Conduct as soon as possible. For example, scheduling and marketing activities typically occur in large blocks (for example, for an entire summer or winter season). The absence of interim authorisation is likely to prevent the benefits of the Proposed Conduct from accruing for an entire season. The inability to take advantage of these benefits would be commercially costly for the Parties and to the detriment of the passengers travelling on the routes.



Granting interim authorisation will not have any impact on, or alter the structure or dynamics in, any market and will not result in any commercial harm to customers, suppliers or the applicants' competitors.

6.3 Term of authorisation sought

The Parties are seeking authorisation for five years.

7 Counterfactual scenario

In the absence of the Proposed Conduct, the counterfactual scenario would be less effective competition against other carriers on the routes (in particular, the 10 Routes), with substantially fewer benefits for passengers travelling on those routes.

Without authorisation of the Proposed Conduct, BA, QR and IB will not be able to implement and give effect to the Expanded QJB.

This would mean that the envisaged customer benefits would not materialise. Specifically, customers would not benefit from any reduction of fares, improved flexibility and better service made possible through efficiencies and the elimination of double marginalisation.

Further, the Parties' ability to recover from the pandemic will be negatively impacted as the close collaboration of the Expanded QJB is expected to aid swifter recovery to closer to pre-pandemic schedule offerings and levels of capacity than the Parties could achieve alone without the Expanded QJB.

8 The Proposed Conduct

8.1 Description of the Proposed Conduct

(a) Co-ordination under the Expanded QJB

The extended scope of the Expanded QJB will increase the geographic scope of the cooperation between BA and QR, enabling a deeper cooperation and the realisation of further efficiencies and customer benefits. In due course, late 2022 / early 2023, it will also add IB to the joint business.

The scope of the joint business will expand to include QR's, BA's and IB's networks on all routes between:

- (i) the UK and Europe and (ii) the Middle East, Asia (excluding China, Japan and South Korea), Eastern and Southern Africa and Australasia; and
- (ii) the Middle East, Asia (excluding China, Japan and South Korea), Eastern and Southern Africa and Australasia and (ii) Latin America.

The inclusion of all routes will mean that, for any in-scope country, all of the Parties' online, as well as the existing offline, destinations will be included in the scope of the Expanded QJB.

The Expanded QJB will apply to routes which are not currently subject to any joint business arrangement, including several routes between the UK / Europe and Australia – in particular, routes with Sydney as the destination. Any other joint business agreements of Parties with other carriers are not covered under the Expanded QJB.

As referenced at paragraph 4 above, the Parties envisage coordinating all of their passenger related activities. More specifically, the expanded codeshare and cooperation on scheduling, pricing and passenger handling under the Expanded QJB will include:

- (i) **(codeshares)** BA, IB and QR implementing codeshares to all relevant markets within the geographic scope of the QJB;²¹
- (ii) **(schedule coordination)** between BA, IB and QR on the trunk route between London and Doha and between Madrid and Doha;

²¹ Subject to regulatory frameworks and government approvals.



- (iii) **(capacity)** BA and QR agreeing appropriate capacity for each carrier to operate between LON-DOH, and maintain at least one daily scheduled passenger flight on the trunk route between London and Doha and IB and QR agreeing appropriate capacity for each carrier to operate between MAD-DOH;
- (iv) **(distribution)** QR adding pure BA journeys to support the selling of the BA network where no QR metal is involved, and BA adding pure QR journeys to support the selling of the QR network where no BA metal is involved;
- (v) **(handling)** BA and QR creating a seamless customer experience at DOH with QR providing BA with above the wing services as part of Hamad International Airport handling;
- (vi) **(joint pricing and selling)** of QJB routes providing customers with a one-stop shop;
- (vii) **(marketing)** BA and QR to jointly promote the QJB to customer; and
- (viii) **(joint selling)** BA and QR to offer joint deals to agency and corporate customers.

This co-ordination will enable the Parties to provide their customers with access to more destinations at attractive fares with improved choice and better service, including flights to Australian destination points.

(b) Benefit sharing model under the Expanded QJB

The Parties have sought to agree on a structure to equitably share QJB revenue across an expanded geography to reflect the addition of BA and QR operated sectors and to appropriately deal with the revenue recovery period following COVID. [CONFIDENTIAL]

The Parties will operate a metal neutral joint-business. The revenue sharing mechanism is designed to ensure that each Party is indifferent as to which Party carries a QJB customer. At a high-level, the benefit sharing mechanism is likely to consist of:

- (i) [CONFIDENTIAL]; and
- (ii) [CONFIDENTIAL].

The Parties will review the mechanics periodically to ensure that they continue to achieve the objective of fairly sharing the benefits of the Expanded Joint Business and fully incentivising complete combinability of their networks.

Figure 1 - Confidential summary of benefit sharing model between BA and QR

[CONFIDENTIAL]

8.2 Documents prepared for the board or senior management

Please see attached the following documents as Annexure 6:

- a. QJB Term Sheet;
- b. Minutes of BA's Board of Directors meeting on 14 December 2021;
- c. Way forward for Qatar Airways - Iberia, February 2021, submitted to IB's Management Committee;
- d. IB-QR Leadership deck, 07 July, 2021, prepared for IB's CEO and Commercial Chief Officer;
- e. Strategic update on Qatar Airways - Iberia, July 2022, prepared for IB's CEO and Commercial Chief Officer.

8.3 Persons who may be directly impacted by the proposed conduct

In addition to the Parties' existing and potential customers, who will directly experience the significant public benefits of the Proposed Conduct, the Proposed Conduct is likely to directly impact the Parties' actual or potential competitors, key customers and key suppliers listed under Annexure 7.



9 Market information and concentration for overlapping services

9.1 The 10 Routes

The Parties submit that they are not close competitors and that their networks are largely complementary, given the location of their respective hubs. A full list of territories and existing routes as well as list of 42 routes (applying only the passenger volume threshold), are contained under Annexure 1 and Annexure 2, respectively. A full list of the passenger shares for each of the 10 Routes is included at Annexure 3.

For the purposes of the Commission's assessment regarding market concentration and associated competition effects, we address each of the 10 Routes below, including reference to estimated passenger shares, any incremental increase in the shares and reference to other large and established airlines carriers that will continue to compete with the Parties on each of the 10 Routes.

Each of the 10 Routes are addressed in further detail below:

(a) London - Sydney (LON-SYD)

As noted at 3.2, the London - Sydney (LON-SYD) route does not meet the 25% share threshold (and therefore the Expanded QJB is unlikely to give rise to competition concerns). However, because it is the only direct / indirect route included within the Expanded QJB, the Parties have set out relevant considerations to the proposition as to why it does not give rise to competition concerns.

In 2019, BA had a passenger share of 12.94% in the premium passengers' category, 11.86% in the non-premium passengers' category and 12.20% in the "all passengers" category on the London-Sydney route.

The incremental increase in passenger share contributed by QR on this route will only be 5.61% for premium passengers, 3.34% for non-premium passengers and 4.05% for "all passengers" category.

Over the same period, the combined passenger share of the Parties arising from the Proposed Conduct on this route will be 18.55% for premium passengers, 15.20% for non-premium passengers and 16.25% for "all passengers" category. IB had a non-existent presence on the route and therefore the Parties' combined passenger share will continue to be less than the passenger shares of the Emirates / Qantas joint business (EK/QF JB) and the Singapore/Lufthansa joint business (SQ/LH JB), in almost every category.

For premium passengers, the EK/QF JB and the SQ/LH JB's passenger shares will be 31.87% and 33.33% respectively, compared to the Parties' combined passenger share of 18.55%. For non-premium passengers, the EK/QF JB and the SQ/LH JB's passenger shares will be 39.95% and 15.44%, compared to the Parties' combined passenger share of 15.20%. For "all passengers" category, the EK/QF JB and the SQ/LH JB's passenger shares will be 37.40% and 21.08% respectively, compared to the Parties' combined passenger share of 16.25%.

There are a number of additional viable alternative routings and carriers that will operate to constrain the Parties so that competition on the route will not be impacted following the implementation of the Expanded QJB. The Parties will continue to be constrained by significant competition on this route from other airlines, in particular, the EK/QF JB and the SQ/LH JB. In addition, Cathay Pacific (4.11% of "all passengers" category) and Etihad (5.89% of "all passengers" category), also offer alternative indirect connecting options and premium products. This is a highly contested route and the incremental increase in passenger share is negligible.

Accordingly significant competition will remain, which will constrain any attempt to raise prices by the Parties, and indeed the QJB will enable the Parties to become a more effective competitor against the more established larger airlines on this route.



(b) Copenhagen - Sydney (CPH-SYD)

In 2019, QR had a passenger share of 63.76% in the premium passengers' category, 35.18% in the non-premium passengers' category and 46.34% in the "all passengers" category on the Copenhagen-Sydney route.

The incremental increase in passenger share contributed by BA on this route will only be 2.04% (accounts for 262 passengers) for premium passengers, 2.50% (accounts for 501 passengers) for non-premium passengers and 2.32% for "all passengers" category. In terms of passenger numbers, this amounts to 763 passengers across all passenger categories. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 65.80% for premium passengers, 37.68% for non-premium passengers and 48.66% for "all passengers" category.

Although the Parties' combined passenger share along this route is higher than for almost all of the other 10 Routes, the incremental increase resulting from the Proposed Conduct is nominal.

In addition, there are a number of other large airlines, including the EK/QF JB and the SQ/LH JB which will continue to exert competitive constraints on the Parties. In the "all passengers" category, EK/QF JB's passenger share is 20.65% and the SQ/LH JB passenger share is 13.57%. Scandinavian Airlines (4.66% of "all passengers" category) and Thai Airways (4.04% of "all passengers" category) amongst others also offer alternative indirect connecting options on the Copenhagen-Sydney route. These constraints will also apply to the premium passenger category given that these competitors all offer attractive premium products.

Accordingly, the marginal passenger share accretion resulting from the Proposed Conduct will not insulate the Parties from the significant competition that will remain on the route, particularly from the EK/QF JB and the SQ/LH JB.

(c) Barcelona - Sydney (BCN-SYD)

In 2019, QR had a passenger share of 42.15% in the premium passengers' category, 21.52% in the non-premium passengers' category and 27.00% in the "all passengers" category on the Barcelona-Sydney route.

The incremental increase in passenger share contributed by BA on this route will be 3.02% (accounts for 293 passengers) for premium passengers, 2.11% (accounts for 566 passengers) for non-premium passengers and 2.35% (accounts for 859 passengers) for "all passengers" category. The incremental increase in passenger share contributed by IB on this route will be 0.04% for non-premium passengers and 0.03% for "all passengers" category. IB will not contribute any increase in premium passenger volume.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 45.17% for premium passengers, 23.67% for non-premium passengers and 29.38% for "all passengers" category.

The EK/QF JB will continue to enjoy the position of the largest competitor on the route of non-premium passengers, accounting for 34.64% compared to the Parties' combined segment share of 23.67%. Etihad will also continue to constrain the Parties in this segment, with its share of 23.22%.

While the Parties may have the largest combined share in the premium passengers' category, this category only accounts for just over a quarter of the total volume of passengers on the route. Further, the passenger share accretion in the premium passengers' category resulting from the Proposed Conduct is merely 3.02%, representing 293 passengers for the whole year. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

In addition, the Parties will continue to be constrained by competition on this route from other large airlines offering premium product at attractive prices, particularly from the EK/QF JB and



Etihad. In the “all passengers” category, EK/QF JB has a share of 32.47% and Etihad has a share of 19.70%. The SQ/LH JB (7.26% of all passengers) and Cathay Pacific (5.03% of “all passengers” category) amongst others also offer alternative indirect connecting options and attractive premium product on the Barcelona - Sydney route.

Accordingly, any attempt by the Parties to raise prices or decrease the level of service on this route would be constrained by the consumers' ability to switch to an established competitor, including in the premium category where competitors have attractive premium products.

(d) Dublin - Sydney (DUB-SYD)

In 2019, QR had a passenger share of 34.78% in the premium passengers' category, 15.21% in the non-premium passengers' category and 18.86% in the “all passengers” category on the Dublin-Sydney route.

The incremental increase in passenger share contributed by BA on this route will be 5.29% (accounts for 758 passengers) for premium passengers, 4.39% (accounts for 2746 passengers) for non-premium passengers and 4.55% (accounts for 3504 passengers) for “all passengers” category.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 40.07% for premium passengers, 19.60% for non-premium passengers and 23.41% for “all passengers” category.

Both the EK/QF JB and Etihad will continue to have a significantly larger passenger share than the Parties in the non-premium passengers and “all passengers” categories. In the “all passengers” category, the EK/QF JB share will be 33.35% and Etihad's share will be 30.85%, compared to the Parties' combined share of 23.41%. In the non-premium category, the EK/QF JB share will be 34.36% and Etihad's passenger share will be 33.50%, compared to the Parties' combined share of 19.60%.

The Parties passenger share in the premium passengers' category accounts for only 19% of the total volume along the route. In addition, the Parties will continue to face vigorous competition in this category, particularly from the EK/QF JB and Etihad, which have passenger shares of 28.99% and 19.27% respectively.

Accordingly, significant competition will remain and the Parties will continue to be constrained by competition on this route from other large airlines, in particular, the EK/QF JB and Etihad. Cathay Pacific (4.80% of “all passengers” category) amongst others also offer alternative indirect connecting options and strong premium products on the Dublin - Sydney route.

The Expanded QJB will, therefore, enable the Parties to become a more effective competitor against the more established larger airlines on this route.

(e) Madrid - Sydney (MAD-SYD)

In 2019, QR had a passenger share of 49.42% in the premium passengers' category, 23.00% in the non-premium passengers' category and 30.25% in the “all passengers” category on the Madrid-Sydney route.

The incremental increase in passenger share contributed by BA and IB on this route will only be 3.39% for premium passengers, 3.24% for non-premium passengers and 3.28% for “all passengers” category.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 52.81% for premium passengers, 26.24% for non-premium passengers and 33.53% for “all passengers” category.

The passenger share accretion from the Proposed Conduct is minimal, with the 3.28% increase in the “all passengers” share representing an increase of only 1003 passengers from BA and 150 passengers from IB over the whole year. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

While the Parties' will have the largest share in the premium passengers' category, this category accounts for just over a quarter of the total volume of passengers travelling on the route. Further,



the increase in share in the premium passengers' category caused by the Proposed Conduct is only 3.39%, representing just 327 passengers over the whole year.

Further, there are a number of other airlines, including the EK/QF JB and Etihad, which will continue to exert competitive constraints on the Parties. In the "all passengers" category, the EK/QF JB has a passenger share of 25.92% while Etihad has a passenger share of 18.18%. Cathay Pacific (7.76% of "all passengers" category) amongst others also offers an alternative indirect connecting option and premium product on the Madrid - Sydney route.

Accordingly, significant competition will remain and the Parties will continue to be constrained by competition on this route from other airlines, in particular, the EK/QF JB and Etihad.

(f) Rome - Sydney (ROM-SYD)

In 2019, QR had a passenger share of 32.06% in the premium passengers' category, 15.95% in the non-premium passengers' category and 19.89% in the "all passengers" category on the Rome-Sydney route.

The incremental increase in passenger share contributed by BA on this route will only be 2.07% (accounts for 406 passengers) for premium passengers, 0.72% (accounts for 437 passengers) for non-premium passengers and 1.05% (accounts for 843 passengers) for "all passengers" category.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 34.13% for premium passengers, 16.67% for non-premium passengers and 20.94% for "all passengers" category.

In the non-premium passenger category, the Parties' combined passenger shares will continue to be significantly lower than those of the EK/QF JB and Etihad's. The EK/QF JB has a passenger share of 35.16% and Etihad has a passenger share of 21.23% compared to the Parties' combined share of 16.67%.

While the Parties' will have the largest share in the premium passengers category, this category accounts for less than a quarter of the total volume of passengers travelling on the route. Further, the increase in share in the premium passengers' category caused by the Proposed Conduct is only 2.07%, representing just 406 passengers over the whole year. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

Finally, the EK/QF JB will continue to enjoy the position of the largest carrier on the route overall. Its passenger share in the "all passengers" category is 32.42% compared to the Parties' combined passenger share of 20.94%. Etihad's passenger share is marginally smaller, accounting for 18.77% of the "all passengers" category. The SQ/LH JB (6.95% of "all passengers" category), Cathay Pacific (6.37% of "all passengers" category) and China Airlines (3.49% of "all passengers" category) amongst others also offer alternative indirect connecting options on the Rome - Sydney route.

Accordingly, significant competition will remain and the Parties will continue to be constrained by competition on this route from other airlines, in particular, the EK/QF JB and Etihad.

(g) Manchester - Sydney (MAN-SYD)

In 2019, QR had a passenger share of 28.18% in the premium passengers' category, 12.49% in the non-premium passengers' category and 15.81% in the "all passengers" category on the Manchester-Sydney route.

The incremental increase in share contributed by BA on this route will only be 4.11% (accounts for 698 passengers) for premium passengers, 3.48% (accounts for 2207 passengers) for non-premium passengers and 3.61% (accounts for 2905 passengers) for "all passengers" category.

The combined share of the Parties arising from the Proposed Conduct on this route will be 32.29% for premium passengers, 15.97% for non-premium passengers and 19.42% for "all passengers" category.



The marginal increase in the Parties' passenger share will ensure that it remains significantly smaller than the two largest carriers on the route. The EK/QF JB, the largest competitor, has 29.30% of the "all passengers" category, while Etihad, the second-largest carrier, has 27.02%, compared to the Parties' combined passenger share of 19.42%.

The Parties' combined passenger share of 15.97% in the non-premium passengers' category will also continue to be significantly smaller than that of both the EK/QF JB and Etihad, which have shares of 30.76% and 29.45% respectively.

Although the Parties will have the largest passenger share in the premium passengers' category at 32.29%, the accretion attributable to the Proposed Conduct is only 4.11%, representing 698 passengers over the whole year. The parties will also be constrained by the EK/QF JB and Etihad, which have shares in the premium passengers' category of 23.84% and 17.98% respectively. Cathay Pacific and the SQ/LH JB will also continue to exert competitive constraints on the parties.

Accordingly, significant competition will remain, and the Parties will continue to be constrained by competition on this route from other airlines, in particular, the EK/QF JB Etihad, Cathay Pacific (10.03% of "all passengers" category) and the SQ/LH JB (9.25% of "all passengers" category) amongst others also offer alternative indirect connecting options on the Manchester - Sydney route.

The Expanded QJB will, therefore, enable the Parties to become a more effective competitor against the more established larger airlines on this route.

(h) **Munich - Sydney (MUC-SYD)**

In 2019, QR had a passenger share of 27.68% in the premium passengers' category, 14.90% in the non-premium passengers' category and 18.41% in the "all passengers" category on the Munich-Sydney route.

The incremental increase in share contributed by BA on this route will only be 2.08% (accounts for 220 passengers) for premium passengers, 0.67% (accounts for 188 passengers) for non-premium passengers and 1.06% (accounts for 408 passengers) for "all passengers" category. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 29.76% for premium passengers, 15.57% for non-premium passengers and 19.47% for "all passengers" category.

Etihad and the EK/QF JB will continue to have a substantially larger passenger share than the Parties in the non-premium and "all passengers" categories. In the non-premium category, Etihad will have a share of 34.70%, compared to the Parties' combined passenger share of 15.57%. The EK/QF JB share of 29.01% will also be more than the Parties' combined share.

In the "all passengers" category, Etihad will have a passenger share of 30.35%, compared to the Parties' combined passenger share of 19.47%, which is also less than EK/QF JB share of 27.71%.

While the Parties will have the largest passenger share in the premium passengers' category, this category accounts for just over a quarter of the total volume on the route. The Parties will also be constrained by other airlines with considerable passenger shares in the premium passengers' category, including the EK/QF JB with 24.29%, the SQ/LH JB with 21.62% and Etihad with 18.88%.

Accordingly, significant competition will remain and the Parties will continue to be constrained by competition on this route from other airlines, in particular, the EK/QF JB and Etihad. The SQ/LH JB (17.35% of "all passengers" category) amongst others also offer alternative indirect connecting options and premium product on the Munich - Sydney route.

The Expanded QJB will, therefore, enable the Parties to become a more effective competitor against the more established larger airlines on this route.

(i) **Edinburgh - Sydney (EDI-SYD)**



In 2019, QR had a passenger share of 58.41% in the premium passengers' category, 34.34% in the non-premium passengers' category and 41.72% in the "all passengers" category on the Edinburgh-Sydney route.

The incremental increase in share contributed by BA on this route will be 12.11% (accounts for 749 passengers) for premium passengers, 11.23% (accounts for 1570 passengers) for non-premium passengers and 11.50% (accounts for 2319 passengers) for "all passengers" category.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 70.52% for premium passengers, 45.57% for non-premium passengers and 53.22% for "all passengers" category.

Although the passenger share accretion resulting from the Proposed Conduct is larger than will occur on the other routes, this route has the lowest passenger volume of any of the 10 Routes.

Only 20,171 passengers flew on the route in 2019, marginally higher than the conservative 20,000 passenger per annum threshold that has been applied for the purposes of this application. If the European Commission's decisional practice were strictly followed and a 30,000 passenger per annum threshold applied, this route would not be considered to raise any potential competition issues. The Parties' total share accords to only 10,735 passengers in 2019.

In addition, the Parties will continue to face vigorous competition from other airlines, particularly EK/QF JB, which has shares of 39.27% in the non-premium passengers' category, 18.78% in the premium passengers' category and 32.99% in the "all passengers" category. Etihad and SQ/LH JB also have an established presence along the route, accounting for 4.62% and 3.77% respectively of the "all passengers" category.

Accordingly, were the Parties to increase prices or decrease the level of their service along the route, consumers would be incentivised to fly with a competitor via alternative hubs in Europe or the Middle East. The continuous threat of losing passenger share to competitors, including in the premium category given the attractive premium products of those competitors, will ensure that the Parties are constrained from acting uncompetitively along this route.

(j) Stockholm - Sydney (STO-SYD)

In 2019, QR had a passenger share of 46.73% in the premium passengers' category, 27.40% in the non-premium passengers' category and 34.39% in the "all passengers" category on the Stockholm-Sydney route.

The incremental increase in share contributed by BA on this route will only be 2.14% (accounts for 176 passengers) for premium passengers, 1.57% (accounts for 228 passengers) for non-premium passengers and 1.78% (accounts for 404 passengers) for "all passengers" category. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

The combined passenger share of the Parties arising from the Proposed Conduct on this route will be 48.87% for premium passengers, 28.97% for non-premium passengers and 36.17% for "all passengers" category.

In 2019, only 22,714 passengers flew on the route, marginally higher than the conservative 20,000 passenger per annum threshold that has been applied for the purposes of this application. If the European Commission's decisional practice were strictly followed and a 30,000 passenger per annum threshold applied, this route would not be considered to raise any potential competition issues.

The passenger share accretion resulting from the Proposed Conduct is nominal. BA's contribution of an additional 1.78% to the Parties' combined passenger share in the "all passengers" category represents just 404 passengers over the whole year. BA lacks competitive relevance given the geographic location of its London base which involves a less attractive backhaul routing for customers.

Finally, the Parties will continue to face vigorous competition from competitors with an established presence on the route, particularly the EK/QF JB. The EK/QF JB has a passenger share of 25.60% in



the “all passengers” category, as well as a 31.21% share in the non-premium passengers’ category and a 15.71% share in the premium passengers’ category. The SQ/LH JB also has an established presence and will exert a competitive constraint on the Parties, with 12.77% in the “all passengers” category, 17.38% in premium passengers’ category and 10.16% for the non-premium passengers’ category. Scandinavian Airlines (3.98% of all passengers) and Finnair (2.76% of “all passengers” category) also offer alternative indirect connecting options and premium product on the Stockholm - Sydney route.

Accordingly, significant competition will remain, and the Parties will continue to be constrained by competition on this route from other airlines, in particular the EK/QF JB and the SQ/LH JB.

9.2 The 10 Routes remain highly contestable

The Parties will remain constrained by the threat of new entry and expansion as a result of Australia’s bilateral arrangements and ‘Open Skies’ agreements with certain countries.

The ‘Open Skies’ agreements typically involve:

- (a) no restrictions on routes, capacity or traffic rights;
- (b) no regulation of tariffs, except to prevent anticompetitive behaviour;
- (c) liberal arrangements for granting operating authorisations following receipt of designation; and
- (d) provisions facilitating regulatory cooperation by civil aviation authorities on matters such as trade in aviation goods and services - which has potential to increase opportunities for air freight transportation services.

Australia’s liberalised air services agreements with other countries make it likely that the Parties will remain constrained by the prospect of new entry and expansion (including by low-cost carriers).

In that regard, it is worth noting that most of Australia’s bilateral air services arrangements provide foreign airlines with unrestricted access to all international airports other than Sydney, Melbourne, Brisbane and Perth.

Importantly, Australian travellers have more choice than ever before in respect of how to fly from Australia to the UK / Europe route. They can completely bypass the Parties.

10 No lessening of competition, no public detriment and public benefits

10.1 No substantial lessening of competition

The Expanded QJB will not be likely to have the effect of substantial lessening competition in any market.

All routes covered by the Expanded QJB, and which form the subject of this joint application (and specifically, the 10 Routes) are highly contestable and the Parties will continue to face vigorous competition from large and established airline carriers.

In addition, notwithstanding that the Commission appears to consider any public benefit arising from increased competition “is likely to be small”,²² the Parties consider that the co-operation detailed in the Expanded QJB would elicit a competitive response from other large and established carriers.

The resultant increased competition would lead to better and more travel options for customers, improved service on those routes, higher efficiencies and lower fares.

In any event, even if the public benefit likely to arise from competitive responses is likely to be small, the Commission does consider that “*rival airlines will continue to strongly compete for passengers between Australia and Europe (including the United Kingdom)*”.²³

²² Singapore Airlines Determination at [4.24].

²³ Singapore Airlines Determination at [4.23].



As reflected in the analysis of the passenger share data (see section 9 above and Annexure 3), the passenger share accretion on almost all the routes is nominal and well under 5%. On the routes where the Parties may hold a larger passenger share or where the passenger share increment is above 5%, these routes have lower passenger volumes (meaning that the actual number of passengers that make up the shares is very low) and the Parties will continue to face vigorous and effective competition.

10.2 Public benefit

The term ‘public benefits’ is not defined in the Act.

However, it has a broad meaning, namely, anything of value to the community and public in general,²⁴ including as one of its principal elements, the achievement of the economic goals of efficiency and progress.²⁵ The lack of precision around the nature of the benefit does not in and of itself prejudice the existence of public benefits, so long as they are durable, and any estimates are robust and commercially realistic.²⁶

The Australian Competition Tribunal (**Tribunal**) has also previously concluded that in assessing whether an increase in economic efficiency constitutes a public benefit for the purposes of the Act, it was appropriate to apply a total welfare or surplus standard of economic efficiency. Accordingly, cost savings (productive efficiency gains) are considered to constitute a public benefit even if the efficiency gain is captured in the first instance by the (private) parties to the proposed conduct.²⁷

The Expanded QJB involves the combination of complementary networks rather than competing networks, hence the very low market share accretions in the vast majority of cases, and the Proposed Conduct will not result in any harm to competition or consumers. However, for completeness, the parties outline below the following benefits expected to be generated by the Expanded QJB.

(a) The Proposed Conduct will increase competition

The Commission has previously accepted that the enhancements to the product and service offerings enabled by the creation of an alliance has the potential to trigger a competitive response from rival airlines, having regard to the varying competitive conditions across the relevant markets.²⁸ Although more recently (as noted above), the Commission has considered that any public benefit arising from increased competition is likely to be small, consistent with the Tribunal’s conclusion in the *Port of Newcastle* decision that the public benefit need not be substantial, the Parties consider the likelihood of the Proposed Conduct triggering a competitive response, particularly as the international airline industry moves out of the COVID restrictions and its participants vie for passengers on the routes, to be robust and commercially realistic.

That is, the Proposed Conduct will increase competition by providing enhanced products and services to consumers, making each of the Parties more effective competitors against other carriers and joint businesses, which as a natural response in a vigorously competitive market, is likely to result in competitive reactions.

(b) Passengers will enjoy more compelling travel options

The Proposed Conduct will allow the Parties to offer customers more compelling and competitive travel options than each is able to offer currently. Specifically, the Proposed Conduct is expected to provide passengers with further optimised scheduling across BA, QR and IB, which will lead to greater efficiencies in meeting the existing and future demands. The Proposed Conduct will also

²⁴ See *Application by Port of Newcastle Operations Pty Limited (No 2)* [2022] ACompT 1 at [27].

²⁵ ACCC Guidelines for Authorisation of Conduct (non-merger), March 2019, p. 43; Re 7-Eleven (1994), ATPR 41-357 at 42,777. See also *Queensland Co-operative Milling Association Ltd* (1976), ATPR 40- 012, at 17,242 and *VFF Chicken Meat Growers’ Boycott Authorisation* (2006) ACompT 9 at [75].

²⁶ See *Application by Port of Newcastle Operations Pty Limited (No 2)* [2022] ACompT. The Tribunal held that it is not necessary for the benefits to be of substance: at [35] and [40].

²⁷ See *Application by Port of Newcastle Operations Pty Limited (No 2)* [2022] ACompT at [28].

²⁸ ACCC Determination: Applications for authorisation lodged by Qantas Airways Limited and Emirates alliance, 27 March 2013, [277].



generate cost savings to be passed onto customers. The Parties will coordinate the schedules of services in order to minimise connecting passenger waiting time and to maximise passenger convenience and service. The Proposed Conduct is also expected to incentivise the commencement of new routes and/or frequencies.

By analogy with the Singapore Airlines Determination, the Proposed Conduct is likely to “*result in public benefits by assisting the Applicants to increase service frequencies and capacity on some routes, reduce multi-leg journey times through aligning schedules, and support, to some extent, the introduction of new routes and services*”.²⁹

(c) The Expanded QJB will enable passengers to enjoy enhanced Frequent Flyer Program (FFP) opportunities arising from existing initiatives between the Parties in the loyalty space

It is anticipated that the Expanded QJB will facilitate enhanced access to the Parties’ frequent flyer programmes, beyond what is offered through Oneworld, including, enhanced loyalty offerings, more options to earn/use points, aligned benefits, improved availability of redemption classes and access to promotions and special offers in the Parties’ combined networks.

In February 2022, IAG Loyalty and QR reached a licence and commercial agreement for QR to use Avios as its loyalty currency and brand worldwide for its QRPC members. Pursuant to this arrangement, all QRPC members’ QMiles were automatically transitioned into Avios on a 1:1 ratio basis. As a result of the arrangement, members of both the IAG airlines’ loyalty programmes and the QRPC may now combine their balances across programmes for the purpose of accrual and redemption of points, improving the consumer proposition.

In terms of being able to combine balances across programmes for the purpose of the accrual and redemption of points, customers may choose which Avios currency programme they wish to join. They can join any programme on its own or multiple programmes if they wish. Once customers have linked their accounts via a loyalty programme website, they can move Avios earned in their BA Executive Club (BAEC) or QRPC programmes, sending and receiving Avios seamlessly between them.

There is a 1:1 exchange of Avios with no loss in value and no commission or costs. This means they can pool their Avios earned in each programme to increase the value of the rewards available. Customers are able to increase the number of partners they are able to earn Avios with in different countries in the world, due to the different BAEC and QRPC partnerships (for example, they can earn Avios with Nectar when in the UK through their BAEC account, earn Avios with Hertz through their QRPC account, and then combine the Avios earned into one place in a pooled total Avios balance). Customers can then go on to choose how they wish to use their Avios across the redemption propositions.

This pro-consumer arrangement will enable QR to strengthen its loyalty offering by using the more globally recognised Avios brand and currency and provides BAEC and QRPC members with more opportunities to accrue and redeem points on each Party’s services. This alignment, which is in and of itself pro-competitive, has created efficiencies by enabling loyalty customers from each programme to link accounts and move points between them.

Under the Expanded QJB, the Parties intend to further coordinate FFPs to deliver enhanced in-journey service benefits to FFP members and to provide joint QJB.

(d) Passengers will enjoy enhanced customer services

In addition to more compelling travel options, passengers travelling on the 10 Routes will have the benefit of the following as a result of the Proposed Conduct as the Parties invest in key systems and processes:

- (i) seamless journeys, customer servicing, and support in disruption, when connecting between the Parties on indirect services through enhanced customer support , airport

²⁹ Singapore Airlines Determination at [4.13].



and terminal co-location, lounge co-investment, joint check-in/bag drop areas, and jointly procured handling where appropriate;

- (ii) seamless booking via direct and indirect channels, and check-in on either Party's website, including multi-metal journeys; and
- (iii) full schedule and fare combinability. This provides a greater number of schedule and frequency choices for passengers over a number of connecting points, for example a passenger could combine a BA operated SYD-SIN-LON outbound with a LON-DOH-SYD inbound. It also provides customers with access to a greater number of fare combinations enabling them more choice of price points to best suit their requirements.

(e) The Proposed Conduct will result in efficiencies and likely lead to lower fares

The Parties expect the Proposed Conduct to generate efficiencies across all Expanded QJB routes, including the 10 Routes, leading to lower average per-passenger costs and, in turn, lower fares as strong competition from other major airlines and alliances incentivises the passing on of cost efficiencies to consumers.

The Tribunal has previously noted that cost savings achieved in the course of providing goods or services to members of the public are a public benefit which can and should be taken into account for the purposes of section 90 of the Act, where they result in pass through which reduces prices to final consumers, or in other benefits.³⁰

By analogy with the Commission's conclusions in the Singapore Airlines Determination, the Proposed Conduct will facilitate public benefits through the realisation of efficiencies associated with improved load factors and scale effects and more efficient (cost reflective) pricing of service. This realisation of efficiencies is likely to be passed through to consumers in the form of lower fares or enhanced services.³¹

In 2017, Compass Lexecon published a comprehensive worldwide study of international airline cooperation, analysing airline passenger, capacity, and fare data over a 17-year period.³² This study shows that revenue-pooling joint businesses are "*strongly procompetitive, generating lower fares on connecting routes and increased traffic on segments served by multiple alliance partners, with no associated increase in non-stop fares where partner airlines overlap operations*" (emphasis added).

A copy of this study is at Annexure 5. A recent analysis conducted by Brueckner and Singer for the US DOT, further confirmed these pro-competitive fare effects.³³

(f) Elimination of double-marginalisation

The Proposed Conduct will also prevent double-marginalisation on the Expanded QJB routes, including the 10 Routes.

In competitive arm's length arrangements, the Parties individually set prices on the portion of the itinerary where they operate their own aircraft and maximise their own mark-up based on the demand on that portion of the passenger's journey. However, this pricing fails to consider the demand for the overall itinerary and results in higher fares and suboptimal capacity utilisation.

By comparison, the cooperative pricing arrangement under the Expanded QJB will allow each of the Parties to consider the effect of its pricing on the overall demand for the itinerary, removing

³⁰ See *Re Qantas Airways Ltd* [2004] ACompT 9; (2005) ATPR 42-065 at [187] to [189].

³¹ Singapore Airlines Determination at [4.16] to [4.20].

³² Robert J Calzaretta, Jr., Yair Eilat, and Mark A Israel, Competitive Effects of International Airline Co-operation, *Journal of Competition Law & Economics*, Volume 13, Issue 3, September 2017, Pages 501-548, available at: <https://doi.org/10.1093/joclec/nhx016>.

³³ Jan K Brueckner and Ethan Singer, Pricing by International Airline Alliances: A Retrospective Study Using Supplementary Foreign-Carrier Fare Data, revised February 2019, available at: http://www.socsci.uci.edu/~jkbrueck/DOT_study.pdf



double-marginalisation and consequently reducing fare levels and improving capacity utilisation. A large proportion of these savings will be passed on to the customers.

(g) Efficiencies will result in joint utilisation of each Parties' marketing and distribution strengths

Further, the Expanded QJB is expected to enable the joint utilisation of each Parties' marketing and distribution strengths, particularly in their home, enabling more efficient promotion and distribution of services.

Combined schedules and distribution strengths are expected to result in enabling new routes and frequencies to reach acceptable load factors earlier than would be the case for each carrier operating individually, providing the potential to increase capacity and recover to pre-Covid service levels sooner.

The Proposed Conduct allows the Parties to improve efficiencies by benefitting from:

- (i) more efficient and effective brand exposure, marketing budget allocation and sales impact. The ability to cooperate and openly discuss strategy is integral to both short-term tactical decisions to promote services to specific destinations and to broader joint marketing and promotional activity;
- (ii) economies of density as a result of the Parties being able to work together to increase load factors through a more attractive offering on the Expanded QJB routes including on the 10 Routes and consequently reduce average cost per seat sold;
- (iii) cost savings from various areas of invariable costs including, but not limited to, marketing and sales, scheduling, capacity planning; and
- (iv) other cost savings and efficiencies through joint procurement and supply management.

The Expanded QJB will allow the Parties to better compete to win share from competitors such as the other global alliances, the Gulf carriers and other carriers.

10.3 Public detriment

As in the case of the term 'public benefits', the Act does not define 'public detriments'.

However, the Tribunal has stated that it includes any impairment to the community generally and any harm or damage to the aims pursued by society, including the achievement of economic efficiency.³⁴ It has also noted that, although detriment covers a wider field than anti-competitive effects in many cases the important detriments will have that character. To that extent such detriment will be relevant in weighing the public benefit.³⁵

Consistent with this definition, the Parties submit that the Proposed Conduct will not result in any competitive detriment given the marginal incremental gains in passenger share on each of the 10 Routes (as discussed in section 9 above), the strength of competitors on the relevant routes and the vigorous competition that exists, and will continue, on the relevant routes.

The Parties will continue to be constrained by a number of vigorous and effective competitors (many of which offer high quality products / offerings) providing strong and effective constraints within highly competitive markets, as well as the prospect of expansion and new entry.

The Proposed Conduct will not give the Parties the incentive or the ability to introduce uncompetitive prices or service levels.

11 Strong competition will remain on all routes

11.1 Continued competition on all routes

To assist the Commission with its assessment, additional information about the supply of passenger

³⁴ ACCC Guidelines for Authorisation of Conduct (non-merger), March 2019 at [67]; Re 7-Eleven Stores Pty Limited (1994) ATPR 41-357 at 42,683. See also Application by Port of Newcastle Operations Pty Limited (No 2) [2022] ACompT at [27].

³⁵ Application by Medicines Australia Inc [2007] ACompT 4; ATPR 42-164 at [108].



air services between Australia and the UK / Europe is included below.

The Australia -UK / Europe routes are characterised by highly competitive behaviour that will not be lessened in any way as a result of the Proposed Conduct. Across all routes, the Parties will continue to face competition from the EK/QF JB, the SQ/LH JB and other carriers, including Etihad, Cathay Pacific, and China Southern Airlines, each of which has a strong and well-established presence between Europe, the UK and Australia.

Further, as the Commission has previously concluded,³⁶ the Australia-UK/Europe route is highly competitive:³⁷

- (a) there is competition on routes to UK/Europe via multiple hubs including Dubai, Bangkok, Singapore, Hong Kong and Abu Dhabi;³⁸
- (b) there are a large number of established carriers with the ability and incentive to expand their operations, including a number of Chinese airlines which have recently expanded services to Australia and are growing their market presence at a fast pace, such as China Southern Airlines, China Eastern Airlines and Air China, as well as other midpoint carriers who all have the ability to expand capacity between Australia and Europe;³⁹
- (c) there is available capacity in the short to medium term for an Australian designated airline to enter an Australia-UK/Europe route or enter via codeshare, and there is available capacity for a number of foreign designated carriers to likewise expand services (with the exception of via Hong Kong);⁴⁰ and
- (d) the route is characterised by year-on-year increases in capacity and reductions in average fares, as more competitors enter the route and expand their services. These trends have in turn led to increases in total passenger numbers.⁴¹

11.2 Other competing airline carriers

(a) Qantas

Qantas is the only end-point carrier on the Australia - UK / Europe route apart from BA. All other European carriers have ceased operating services to Australia and instead rely on alliance or codeshare relationships with mid-point carriers.

Qantas operates daily one-stop flights from Melbourne and Sydney to London via Perth and Singapore respectively.

Qantas' Melbourne-Perth-London services add a new one-stop schedule option for London-bound passengers from major Australian cities such as Melbourne, Brisbane and Adelaide (in addition to non-stop from Perth) allowing an afternoon departure from Australia and convenient morning arrival time into London.

Qantas launched non-stop flights from Perth to London in March 2018 and in August 2018⁴²

³⁶ Most recently in the Singapore Airlines Determination.

³⁷ The Parties also refer to the Qantas MEL-PEP-LHR routes and SYD-PER-FCO direct flights, as well as Qantas' publicised intention to operate non-stop SYD-LHR by 2025.

³⁸ ACCC, Determination: Application for revocation of A91247 - A91248 and the substitution of authorisations A91510 - A91511 lodged by Virgin Australia and Etihad Airways, 4 December 2015, [74]; ACCC Determination: Applications for authorisation lodged by Qantas Airways Limited and Emirates alliance, 27 March 2013, [380].

³⁹ ACCC Determination: Application for revocation of A91247 - A91248 and the substitution of authorisations A91510 - A91511 lodged by Virgin Australia and Etihad Airways, 4 December 2015, [74]; ACCC Determination: Applications for authorisation lodged by Qantas Airways Limited and Emirates alliance, 27 March 2013, [383]-[384].

⁴⁰ ACCC, Determination: Application for revocation of A91247 - A91248 and the substitution of authorisations A91510 - A91511 lodged by Virgin Australia and Etihad Airways, 4 December 2015, [74]; ACCC Determination: Applications for authorisation lodged by Qantas Airways Limited and Emirates alliance, 27 March 2013, [385].

⁴¹ ACCC Determination: Application for revocation of A91247 - A91248 and the substitution of authorisations A91510 - A91511 lodged by Virgin Australia and Etihad Airways, 4 December 2015, [74].

⁴² "The long haul: Here's what to expect on board Australia's longest flight", 26 March 2018. Available at: <https://www.news.com.au/travel/travel-advice/flights/the-long-haul-heres-what-to-expect-on-board-australias-longest-flight/news-story/1b09b307d85bf688b0c378b44941ae07>



announced plans for a non-stop flight between Sydney and London to commence in 2025.⁴³

Qantas announced its service between Sydney-Perth-Rome from June to October, to meet the peak European travel period, as well as connections to 16 other destinations in Europe, including Athens, Barcelona, Frankfurt, Nice, Madrid and Paris.⁴⁴

Qantas also offers additional services from Australia to the UK/Europe through its joint business partner Emirates. The alliance allows passengers to fly on Qantas operated services to London via Perth or Singapore, and choose to fly with Emirates to Dubai, from where they will still be able to fly on to London or access 38 onward connections on Emirates to Europe and 28 to the Middle East and North Africa region.

Emirates passengers flying to Australia have access to 60 onward connections on Qantas to destinations in domestic Australia and New Zealand.

Qantas and Emirates have offered customers a better spread of schedule timings and increased schedule choice between major Australian cities and major European cities, with different journey options to London from the five largest cities in Australia including:

- Qantas direct from Perth or via Singapore, Emirates from Perth via Dubai;
- Qantas from Melbourne via Perth or Singapore, Emirates from Melbourne via Dubai;
- Qantas from Sydney via Perth or Singapore, Emirates from Sydney via Dubai;
- Qantas from Brisbane via Perth or Singapore, Emirates from Brisbane via Dubai; and
- Qantas from Adelaide via Perth, Emirates from Adelaide via Dubai.

When Qantas and Emirates first announced their intention to form an alliance in September 2012, there was an immediate and intense reaction from competing airlines.

In October 2012, Etihad Airways announced an increase in its Sydney-Abu Dhabi capacity and in November 2012 Singapore Airlines signed multi-year agreements with six tourism organisations in Australia.⁴⁵

(b) Emirates

Emirates is the Middle East's largest carrier, flying to almost 40 cities in Europe and operating services on more than 130 city pairs.

Prior to Covid, Emirates operated multiple daily services between Australia (Sydney, Melbourne, Brisbane, Adelaide and Perth) and the UK / Europe via Dubai.

In 2013, Emirates commenced its alliance with Qantas. These two airlines co-operate on services in the Australia to UK / Europe, the Australia-Middle East, the Australia-Asia and the trans-Tasman markets. The Commission is familiar with the alliance, having authorised and re-authorised it.

(c) Singapore Airlines

Australia remains a priority market for Singapore Airlines, particularly given its strategic alignment with, and shareholding in, Virgin Australia. Prior to COVID, it has been reported that 26 per cent of all passengers at Changi Airport in Singapore are in transit, with Australia being the largest source of origin for those connecting travellers (particularly those enroute to the UK/Europe).

Currently Singapore Airlines operates services from Adelaide, Brisbane, Cairns (through its Silkair subsidiary), Darwin (through Silkair), Melbourne, Perth and Sydney to Europe, via Singapore. Further, on 11 February 2022, the ACCC granted re-authorisation until 4 March 2027 enabling Singapore Airlines and Lufthansa to coordinate their operations between Lufthansa home markets in

⁴³ See: <https://www.bbc.com/news/world-australia-61294894>

⁴⁴ "Qantas says 'buongiorno' with direct flights from Australia to Italy", 15 December 2021. Available at: <https://www.qantas.com/agencyconnect/au/en/agency-news/agency-news-december-21/qantas-says-buongiorno-with-direct-flights-from-australia-to-italy.html>

⁴⁵ Initial competitor reactions were summarised in a submission to the Commission lodged by Emirates on 30 November 2012. Available: <http://registers.accc.gov.au/content/index.phtml/itemId/1078153/fromItemId/401858/display/submission>



Europe and Singapore Airlines home markets in Asia/Oceania.⁴⁶

(d) Etihad Airways

Etihad is a full-service network carrier operating from a hub in Abu Dhabi, the capital of the United Arab Emirates. Etihad commenced services to and from Australia with flights to Sydney in March 2007, Brisbane in September 2007, Melbourne in March 2009 and Perth in July 2014.⁴⁷

In 2010, Etihad entered into a commercial partnership with Virgin Blue Airlines (now Virgin Australia) under which those two carriers agreed to cooperate on pricing and scheduling of services across their respective networks.⁴⁸

This partnership allows those carriers to offer a joint global network of more than 100 destinations which includes 41 destinations in Australia and 35 weekly services between Abu Dhabi and Australia (14 Sydney services, 7 Brisbane services and 14 Melbourne services). Under its strategic alliance with Virgin Australia, Etihad and Virgin have expanded the number of codeshare and interline destinations offered through the alliance to 80 across Africa, Australia, Europe and the Middle East.

In August 2015, Etihad commenced a second daily service from Abu-Dhabi to Melbourne which later resulted in Etihad's four class-A380 aircraft flying to Melbourne for the first time. Etihad also opened a new premium lounge in Melbourne, the airline's largest outside Abu Dhabi.

Etihad increased its capacity on the Abu Dhabi to Perth route by 14 per cent since it introduced its Boeing 787 Dreamliner aircraft. Since late 2017, Etihad has operated up to 14 weekly flights on its Abu Dhabi-Sydney route using its flagship A380 aircraft.

Etihad has also operated the Dreamliner to Melbourne from 2017.

(e) China Southern and China Airlines

China Southern is another carrier that has invested heavily in attracting Australian consumers travelling to the UK/Europe.

Reflecting its 'Australian strategy' in place since 2009, China Southern operated daily Guangzhou-London Heathrow services and strategically added frequencies on morning departures from Australia which arrive in Guangzhou at night to connect with long-haul departures to Europe and North America.

Similarly, in July 2017, China Airlines announced a boost in frequencies up to twice daily between Sydney and Taipei, timed to connect to the carrier's newly reinstated services between Taipei and London Gatwick four days a week, with customers able to travel on the new Airbus A350 aircraft for the entire Sydney-London journey.⁴⁹

(f) Other carriers

Other competing carriers include:

- (i) Cathay Pacific: currently operates services from all major Australian cities to Europe, via Hong Kong.
- (ii) Thai Airways International: currently operates flights out of Sydney, Brisbane, Perth and Melbourne to Europe, via Bangkok.
- (iii) via South East Asia: Royal Brunei Airlines, Garuda Indonesia, Malaysia Airlines, Philippine Airlines, Vietnam Airlines.
- (iv) via India: Air India.
- (v) via other parts of North Asia: Japan Airlines, Korean Air, All Nippon Airways and Asiana.

⁴⁶ See AA1000580-1.

⁴⁷ Application for Authorisation lodged by Etihad and Air Serbia, 7 December 2016, section 2.3.

⁴⁸ Application for Authorisation lodged by Etihad and Air Serbia, 7 December 2016, section 2.7.

⁴⁹ 'CI doubles Sydney' in Travel Daily, 20 July 2017.



(g) **Codeshare carriers**

A large number of carriers offer services between Australia and Europe by code sharing with other airlines, including:

- (i) Lufthansa: JB with Singapore Airlines.
- (ii) Air France: Air France offers daily services between Australia and Paris via Hong Kong (code-share with Qantas) and Shanghai (code-share with China Eastern).

12 Contact details of any relevant market participants

Names and contact details (where possible) for likely interested parties are listed under Annexure 7.

13 Conclusion

In conclusion:

- (a) the Proposed Conduct will not result in any lessening of competition or other public detriment, including uncompetitive pricing or uncompetitive service levels; and
- (b) the Proposed Conduct will result in significant public benefits, including lower fares and increased efficiencies, avoided costs and inefficiencies and increased competition on routes (in particular, the 10 Routes).

Therefore, the Parties submit that the Commission should authorise the Proposed Conduct for the term of 5 years and grant the application for interim authorisation.

Attached separately.

Please note this is a full list of routes covered by the Expanded QJB, with Australian cities as the starting or destination point, without applying the 20,000 passengers (or market share) threshold.

List of routes to/from Australia covered by Expanded QJB with 20,000 passengers per annum

LIST OF ROUTES COVERED BY QJB WITH 20,000 PASSENGERS PER ANNUM		
LON-SYD	AMS-BNE	MAD-MEL
CPH-SYD	AMS-PER	PAR-SYD
BCN-SYD	BCN-MEL	PAR-MEL
DUB-SYD	BUE-SYD	PAR-BNE
MAD-SYD	CPH-MEL	PAR-PER
ROM-SYD	DUB-MEL	ROM-MEL
MAN-SYD	DUB-PER	ROM-BNE
MUC-SYD	DUB-BNE	ROM-PER
EDI-SYD	FRA-SYD	SAO-SYD
STO-SYD	FRA-MEL	SCL-SYD
ATH-SYD	FRA-BNE	SCL-MEL
ATH-MEL	MIL-SYD	ZRH-SYD
AMS-SYD	MIL-MEL	ZRH-PER
AMS-MEL	MUC-MEL	ZRH-MEL

Passenger share data for the 10 Routes

LONDON-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	23648	19680	43328	24449	18879	43328	3.34%	5.61%	4.05%
BA	77801	52579	130380	86806	43574	130380	11.86%	12.94%	12.20%
IB	0	0	0	0	0	0	0	0	0
Parties' total	101449	72259	173708	111255	62453	173708	15.20%	18.55%	16.25%
Increment	23648	19680	43328	24449	18879	43328	3.34%	5.61%	4.05%

COPENHAGEN-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	6897	8354	15251	7056	8195	15251	35.18%	63.76%	46.34%
BA	566	197	763	501	262	763	2.50%	2.04%	2.32%
IB	0	0	0	0	0	0	0	0	0
Parties' total	7463	8551	16014	7557	8457	16014	37.68%	65.80%	48.66%
Increment	566	197	763	501	262	763	2.50%	2.04%	2.32%

BARCELONA-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	6853	3021	9874	5781	4093	9874	21.52%	42.15%	27.00%
BA	658	201	859	566	293	859	2.11%	3.02%	2.35%
IB	7	3	10	10	0	10	0.04%	0.00%	0.03%
Parties' total	7518	3225	10743	6357	4386	10743	23.67%	45.17%	29.38%
Increment	665	204	869	576	293	869	2.15%	3.02%	2.38%

DUBLIN-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	8120	6387	14507	9521	4986	14507	15.21%	34.78%	18.86%
BA	1639	1865	3504	2746	758	3504	4.39%	5.29%	4.55%
IB	0	0	0	0	0	0	0	0	0
Parties' total	9759	8252	18011	12267	5744	18011	19.60%	40.07%	23.41%
Increment	1639	1865	3504	2746	758	3504	4.39%	5.29%	4.55%

MADRID-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	6842	3808	10650	5875	4775	10650	23.00%	49.42%	30.25%
BA	727	276	1003	753	250	1003	2.95%	2.59%	2.85%
IB	96	54	150	73	77	150	0.29%	0.80%	0.43%
Parties' total	7665	4138	11803	6701	5102	11803	26.24%	52.81%	33.53%
Increment	823	330	1153	826	327	1153	3.24%	3.39%	3.28%

ROME-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	11965	3971	15936	9652	6284	15936	15.95%	32.06%	19.89%
BA	663	180	843	437	406	843	0.72%	2.07%	1.05%
IB	0	0	0	0	0	0	0	0	0
Parties' total	12628	4151	16779	10089	6690	16779	16.67%	34.13%	20.94%
Increment	663	180	843	437	406	843	0.72%	2.07%	1.05%

MANCHESTER-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	4994	7713	12707	7919	4788	12707	12.49%	28.18%	15.81%
BA	1702	1203	2905	2207	698	2905	3.48%	4.11%	3.61%
IB	0	0	0	0	0	0	0	0	0
Parties' total	6696	8916	15612	10126	5486	15612	15.97%	32.29%	19.42%
Increment	1702	1203	2905	2207	698	2905	3.48%	4.11%	3.61%

MUNICH-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	3376	3718	7094	4163	2931	7094	14.90%	27.68%	18.41%
BA	247	161	408	188	220	408	0.67%	2.08%	1.06%
IB	0	0	0	0	0	0	0	0	0
Parties' total	3623	3879	7502	4351	3151	7502	15.57%	29.76%	19.47%
Increment	247	161	408	188	220	408	0.67%	2.08%	1.06%

EDINBURGH-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	4976	3440	8416	4803	3613	8416	34.34%	58.41%	41.72%
BA	1551	768	2319	1570	749	2319	11.23%	12.11%	11.50%
IB	0	0	0	0	0	0	0	0	0
Parties' total	6527	4208	10735	6373	4362	10735	45.57%	70.52%	53.22%
Increment	1551	768	2319	1570	749	2319	11.23%	12.11%	11.50%

STOCKHOLM-SYDNEY									
	Volume by season			Volume by category			Annual passenger share by category		
	S19	W19	Total	NP	P	Total	NP	P	Total
QR	3661	4151	7812	3973	3839	7812	27.40%	46.73%	34.39%
BA	320	84	404	228	176	404	1.57%	2.14%	1.78%
IB	0	0	0	0	0	0	0	0	0
Parties' total	3981	4235	8216	4201	4015	8216	28.97%	48.87%	36.17%
Increment	320	84	404	228	176	404	1.57%	2.14%	1.78%

Passenger Share data for the 10 Routes (2020-22) - without applying thresholds⁵⁰

Attached separately.

Please note this data is provided for completeness only. This data is generated without applying the 20,000 passengers or market share thresholds.

⁵⁰ This data is based on IATA's DDS.

Robert J Calzaretta, Jr., Yair Eilat, and Mark A Israel, *Competitive Effects of International Airline Cooperation*, Journal of Competition Law & Economics, Volume 13, Issue 3, September 2017

[EXCLUDED]

[CONFIDENTIAL]

Persons who may be directly impacted by the proposed conduct

PERSON POTENTIALLY AFFECTED	PHONE NUMBER	EMAIL ADDRESS (WHERE A PARTY CAN PROVIDE AN ADDRESS FOR A SPECIFIC AND RELEVANT CONTACT)
ACTUAL OR POTENTIAL COMPETITORS		
Qantas	+61 2 9691 3636	
Virgin Australia	+61 7 3295 3000	
Singapore Airlines	+65 6223 8888	
Emirates	+61 1300 303 777	
Etihad Airways	+971 600 555 666	
Malaysia Airlines	+6 03 7843 3000	
Cathay Pacific	+852 2747 3333	
Deutsche Lufthansa	+49 69 696 0	
China Southern Airlines	+86 95539 1 9	
Iberia Airlines	+34 901 111 500	
Aer Lingus Cargo	+353 1 886 8202	
Finnair	+358 600 0 81881	
KLM	+31 (0) 20 6499123	
Thai Airways	+61 2 9844 0999	
Air France	+33 01 41 56 78 00	
Vietnam Airlines	+84 24 3827 2289	
Garuda Indonesia	+62 0 804 1 807 807	
Royal Brunei Airlines	+673 221 2222	
Philippine Airlines	+61 2 9262 4520	
Japan Airlines	+61 1800 531 870	
KEY CUSTOMERS (AND CONTACT PERSON)		
[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]
[CONFIDENTIAL]	[CONFIDENTIAL]	[CONFIDENTIAL]

PERSON POTENTIALLY AFFECTED	PHONE NUMBER	EMAIL ADDRESS (WHERE A PARTY CAN PROVIDE AN ADDRESS FOR A SPECIFIC AND RELEVANT CONTACT)
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International Air Transport Association	+65 6499 2421	
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REGULATORS

Civil Aviation Safety Authority	+61 131 757	Civil Aviation Safety Authority
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Declaration by the Applicant(s)

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 Commission immediately of any material change in circumstances relating to the application.

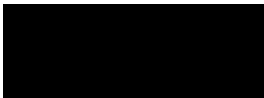
The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the *Criminal Code* (Cth).



Signature of authorised person

General Counsel and Company Secretary, British Airways plc

Office held



Name of authorised person

This 10th day of November 2022

Note: If the Applicant is a corporation, state the position occupied in the corporation by the person signing. If signed by a solicitor on behalf of the Applicant, this fact must be stated.

Declaration by the Applicant(s)

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.

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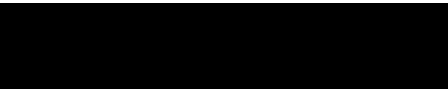
The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the *Criminal Code* (Cth).



Signature of authorised person

SVP CORPORATE PLANNING

Office held



Name of authorised person:

This 20 day of November 2022

Note: If the Applicant is a corporation, state the position occupied in the corporation by the person signing. If signed by a solicitor on behalf of the Applicant, this fact must be stated.

Declaration by the Applicant(s)

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 Commission immediately of any material change in circumstances relating to the application.

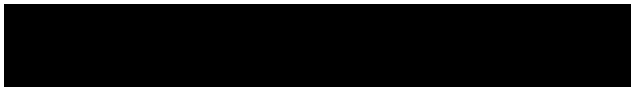
The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the *Criminal Code* (Cth).

 _____

Signature of authorised person

General Counsel & Board Secretary
IBERIA LINEAS AEREAS DE ESPAÑA, S.A. OPERADORA, S.U.

Office held

 _____

Name of authorised person:

This 10 day of November 2022

Note: If the Applicant is a corporation, state the position occupied in the corporation by the person signing. If signed by a solicitor on behalf of the Applicant, this fact must be stated.