



Simon McGrath AM

31 May 2021

Mr Gavin Jones  
Director – Competition Exemptions  
Australian Competition and Consumer Commission  
23 Marcus Clarke Street  
CANBERRA ACT 2601

Via email: [gavin.jones@acc.gov.au](mailto:gavin.jones@acc.gov.au)

Dear Mr Jones,

### **RE SUPPORT FOR QANTAS AND JAPAN AIRLINES JOINT BUSINESS AGREEMENT**

COVID-19 and the consequential travel and border restrictions has had a seismic impact on Australia's inbound tourism sector that will take years to recover.

The size of the task can be demonstrated by the numbers. In the 2019 calendar year (CY19), there were 9.5 million international arrivals into Australia.

As an industry we have to be realistic that the re-build will not be linear, there will be turbulence around the globe due to new variants and key markets like China, who contributed 1.4 million arrivals in CY19, are unlikely to return to the same levels.

Accor is Australia's leading hotel operator, with more than 340 hotels, apartments and resorts in the region. Accor has been operating in Australia for 30 years, and has a network in the Pacific which includes 21,000 employees and in excess of 250 hotel owners. We are concerned with supporting action which will hasten our economy's recovery and help businesses & communities.

On behalf of our management and 4.6 million loyalty members we urge the Australian Competition and Consumer Commission to approve the Qantas and Japan Airlines (JAL) Joint Business Agreement (JBA).

As we exit COVID-19, it is clear there will be some hesitancy to travel. We saw this post-SARS where high-yielding markets like Japan had a longer recovery-tail – as a market we need to do everything to accelerate the re-build and ensure airlines are re-establishing their city-pairs and reducing the risks associated with the launch of new initiatives.

Post COVID-19, Japan will be a critical market for Australia's inbound tourism sector, in CY19, the market grew by 6.2% to 499,000 – out-performing the market average of 2.4%.

Accor has reviewed the Qantas and JAL application carefully and it's clear the proposal put forward by Qantas and JAL is in the best interests of 'destination Australia'. The JBA will deliver the following benefits for the tourism sector and our customers:

- Expanded codeshare relationship and optimised schedules on flights between Australia and New Zealand and Japan, opening more connections to destinations beyond the major city gateways. Qantas customers would have access to 14 new codeshare destinations in Japan and JAL customers would have access to 15 new codeshare destinations in Australia and New Zealand.
- Enhanced frequent flyer benefits for Qantas and JAL customers, including improved earn rates for points or miles on routes under the joint business beyond what is possible today, as well as the ability to upgrade using points or miles on each other's services.
- Improvements in the customer experience, including streamlined processes for disruption management and investments in product and service inflight and on the ground, designed to better serve the carriers' joint customers.
- More premium travel opportunities, with Qantas able to offer customers a greater number of Business and Premium Economy seats on flights operated by JAL.
- Coordination of pricing, schedules, sales and tourism marketing to develop new and improved travel products, delivering more choice for customers.

Critically the JBA will allow both airlines to accelerate the reinstatement of city-pairs (including Melbourne) and facilitate the launch of Qantas' proposed service between Cairns-Tokyo (Narita).

The tourism sector is staring into an ongoing period of constrained capital and it needs efficient airline partners to promote 'destination Australia'. The proposed JBA ensures that both Qantas and JAL are incentivised to leverage their assets to stimulate the Australia-Japan market.

As a sector we are excited by the opportunity associated with Qantas launching services on Cairns-Tokyo (Narita) and providing a dual-brand product for customers. We know Jetstar is an attractive option for leisure passengers, but we believe the premium product in Cairns is now well suited for the Japanese corporate market for meetings, conferences and events. Looking at the pre-COVID economics it's clear this proposal will only work if it is included as part of a broader JBA.

Australia's international tourism sector needs certainty post-COVID and the JBA helps deliver that. It allows us to work with our airline partners to leverage the opportunities that flow from Japan with increased certainty and build back this critical inbound market, but also provides the national carrier additional confidence to build back its broader global network sooner.

This opportunity is fundamental to overall industry benefit and should not be considered as a singular airline issue. It has immense opportunity for impact via flow on jobs in adjacency businesses and Tourism that have been crippled by COVID. Further we would urge serious consideration for this initiative.

In short, the JBA is good for 'destination Australia' and we would welcome a discussion with the ACCC to further elaborate on our views.

Yours sincerely



Simon McGrath  
Chief Executive Officer- Pacific  
Accor