



16 March 2021

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

By Email: [gavin.jones@accc.gov.au](mailto:gavin.jones@accc.gov.au)

Dear Gavin

**Qantas-JAL Application for Authorisation AA1000540: Potential New Route**

We refer to the application (**Application**) for authorisation lodged with the Commission on 18 December 2020 by Qantas Airways Limited (**Qantas**) and Japan Airlines Co Ltd (**JAL**) (together, the **Applicants**) in relation to a proposed Joint Business Agreement (**JBA**) (**Proposed Conduct**).

The purpose of this letter is to briefly update the Commission in relation to an important new benefit of the Proposed Conduct that has been identified since the Application was lodged, as demand dynamics in respect of the recovery of international aviation post-Pandemic become clearer.

As the Commission is aware, the Applicants believe that the Proposed Conduct is critical to sustainably restoring air links across a wide range of routes between Australasia and Japan. As demand recovers and borders open, the Applicants' combined selling engines will facilitate key consumer benefits which would not otherwise occur. In addition to making capacity reinstatement faster and more sustainable, the Applicants have identified that the Proposed Conduct would support a new and significant public benefit – the introduction of Qantas operated services between Cairns and Tokyo, likely using an Airbus A330 aircraft.

This new Cairns-Tokyo service would be offered as an alternative to the potential introduction of another new Australasia-Japan route already confidentially flagged in the Application, namely **[REDACTED - CONFIDENTIAL]**.

Planning of the proposed new Cairns-Tokyo service necessarily remains at a preliminary stage while the Application is before the Commission, but it is anticipated that Qantas would offer a three per week service from 2022 onwards.

A number of key benefits would flow from the new service. Consumers would enjoy additional choice in flying between Cairns and Japan. At this stage, it is intended that the new Qantas operated service would complement Jetstar's existing presence (Jetstar intends to resume flying to both Tokyo and Osaka from Cairns as borders re-open), meaning that passengers could choose between both full service and low cost service brands, products and services.

A new Qantas operation would rejuvenate tourism in far north Queensland and beyond, attracting a new cohort of premium travelers from Japan to Queensland and providing more opportunities for frequent flyer redemptions.



Improved connectivity to and from Cairns would also attract new tourism flows and associated economic benefits, boosting Cairns' potential as a 'mini hub' for other Qantas and Jetstar services. For example, Qantas could offer convenient new 'triangulated' itineraries for inbound Japanese tourists, such as Tokyo-Cairns onward to Brisbane, Sydney or Melbourne while also, importantly, facilitating further connections on the Qantas and Jetstar network to other cities and regional destinations including Uluru, Darwin, Perth and Canberra. The commencement of Cairns-Tokyo would strengthen business cases for new international routes supporting a Cairns 'mini hub', specifically [REDACTED - CONFIDENTIAL]. These new services would have the potential to grow aviation employment and economic activity in the region.

By launching Cairns-Tokyo, Qantas will offer new freight capacity to the important export market of Japan, bringing new trading opportunities out of Cairns and northern Australia. Importantly, this includes new capability to uplift live animals including fish, lobster and crabs – which is important for the Cairns market. Furthermore, the potential growth of the Cairns 'mini hub' provides export opportunities for other parts of Australia beyond Queensland.

Critically, Qantas would not contemplate offering this new service without the support of JAL through the Proposed Conduct. Passenger demand for a new Cairns-Tokyo service is expected to be highly driven from point-of-sale Japan, with approximately 84 per cent of passenger demand for Cairns-Japan travel sourced from Japan. For a new Qantas operated service to be successful, Qantas would need to be able to access JAL's distribution, sales and marketing channels in Japan to ensure sustainable take-up and loads on the service.

Accordingly, the Applicants urge the Commission to take these additional benefits into account as part of its consideration of the Application. [REDACTED - CONFIDENTIAL]

If you have any questions, please contact me on [REDACTED].

Yours sincerely



Michele Laidlaw  
Head of Legal – Competition  
Qantas Airways Limited