



Australian Federation of Travel Agents (AFTA)
**Submission to the Australian Competition &
Consumer Commission (ACCC)**

Qantas Airways Limited & Jetstar Airways Pty Ltd: AA1000626-1

January 2023



Executive Summary

The Australian Federation of Travel Agents (AFTA) welcomes this opportunity to contribute to the Australian Competition and Consumer Commission (the Commission) regarding Qantas Airways Limited (Qantas) & Jetstar Airways Pty Ltd's (Jetstar) application for Authorisation AA1000626-1.

As the peak body for a broad array of Australian travel professionals, AFTA strives to promote and advocate for competition across the entire travel sector. Healthy competition is critical for the effective operation of markets so that businesses have the incentive to operate efficiently, price competitively and offer products valued by consumers. This in turn delivers benefits to the Australian community and economy through lower prices, innovation and improved product offerings.

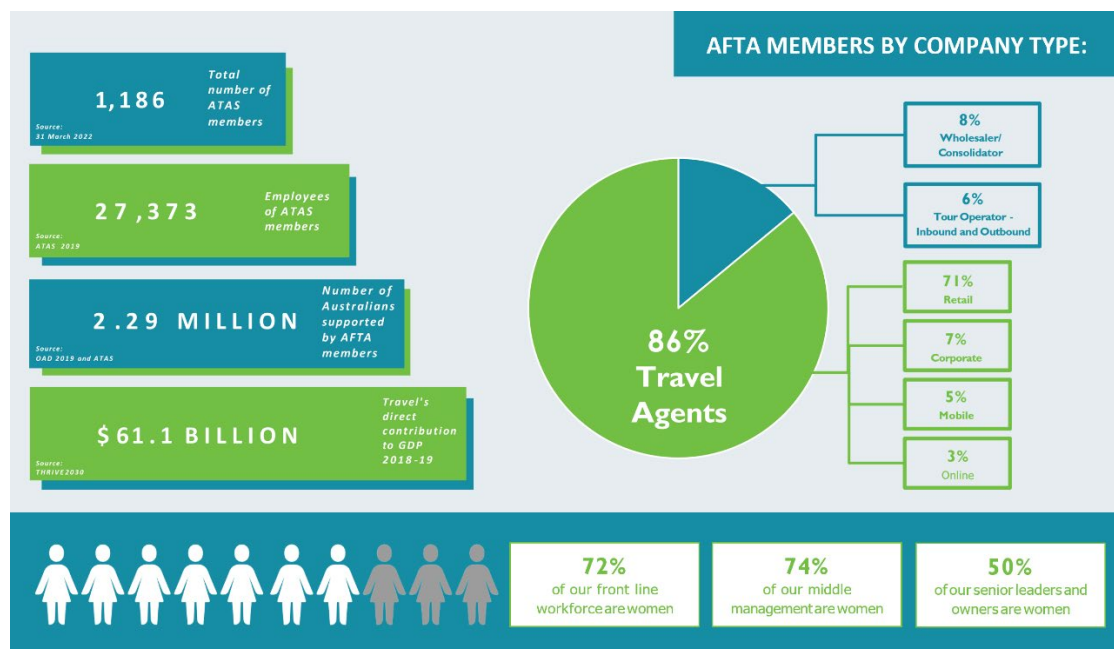
It is for these reasons that AFTA provides the following comments:

- **If authorisation is provided, an authorisation period beyond 5 years would be presumptive** in circumstances where massive transformations are occurring across the industry in a rapidly evolving post-pandemic landscape;
- There has not been sufficient evidence provided by the applicants to support the continuation of coordination on distribution strategies between Qantas and all Jetstar operations. Aligning these activities appears to have the impact of limiting choices for consumers on how they shop and book travel;
- AFTA supports the ACCC specifying conditions in the authorisation under s 88(3) of *The Competition and Consumer Act 2010 (Cth)* to incentivise passenger capacity increases and protect the competitive distribution of airfares;
 - 1) Given the current operating environment and recent pricing activity, it will be critical for the Commission to ensure that the Proposed Conduct leads to capacity increases and not price increases. **Any authorisation should be conditioned upon the Qantas Group reporting on the coordination of routes and pricing managed under the Proposed Conduct;**
 - 2) Airlines are already withholding fares from competitive distribution. The Proposed Conduct will increase the cohort of fares that the Qantas Group can reserve for their direct channels to deprive consumers of the reduced costs they experience when travel agents are afforded a fair opportunity to compete on distribution. The Commission should also **impose a condition requiring the applicants to undertake that they will make all fare types and schedules made possible by the Proposed Conduct available to travel agents** through all distribution avenues not only the New Distribution Capability (NDC); and
 - 3) **Full and equal rights should be provided to travel agents for customer refunds and cancellations that occur under the Proposed Conduct**, so that airlines cannot discriminate against agents by disabling access to the refund system for their customers as they did during the pandemic. These conditions are appropriate given that the Proposed Conduct will allow these this extended entity to collude on distribution in a way that others in the industry cannot. Despite its size, the Qantas Group should be subject to the same market settings as travel agents for distribution purposes.

About the Australian Travel Sector

AFTA is the trusted source for advice and best practice in the travel sector. Our mission is to highlight the integrity of our members through effective approaches in advocacy, industry recognition and awards, and ultimately boosting the confidence of the travelling public.

AFTA administers the Australian Travel Accreditation Scheme (ATAS), which is the largest and most representative accreditation scheme for travel businesses in Australia. All AFTA members are ATAS accredited and recognised for their highest of operational standards including assessment of finances, minimum levels of training and procedures for dealing with consumer grievances. About 85% of consumers are more likely to book with an ATAS accredited travel agency.



Our membership base includes the full spectrum of travel intermediary businesses across Australia including retail and corporate travel agents, tour operators, wholesalers and consolidators. Our members range in size from the largest listed organisations such as Flight Centre, Helloworld, Corporate Travel Management and Webjet, through to small independently owned and operated travel businesses. A large proportion of travel agent members are small to medium businesses, many of whom operate under networks such as Express Travel Group, Travellers Choice and CT Partners. AFTA's membership also includes consolidators, tour operators and wholesalers such as Scenic, APT and The Travel Corporation. ATAS has a total of 1,750 ATAS accredited member locations. A directory of current members is available at [atas.com.au](https://www.atas.com.au)

Dynamics of The Proposed Conduct

The continuation of the Jetstar Pan-Asia Strategy made possible by Qantas' proposed coordination with Jetstar branded low-cost carriers (LCCs) will allow the Qantas Group and broader Jetstar Group to act in concert on a broad array of activities to deliver codeshare arrangements for passenger services on routes within the Asia-Pacific region and from Australia to Singapore and Japan ('the Proposed Conduct').

AFTA notes that the Proposed Conduct will provide the Qantas Group with additional levels of control on routes in the Asia-Pacific region and routes that are part of a multi-stop journey to or from Australia. As a result, the Proposed Conduct also has real the potential to increase coordination on domestic legs of multi-stop codeshare journeys (e.g. Singapore-Sydney-Hobart) where the Qantas Group already maintains a significant market share.

While AFTA acknowledges some of the benefits of the Jetstar Pan-Asia Strategy relationship and these code share arrangements, Commission authorisation would continue to facilitate a significant entrenchment of market power in Australia with its stated "one stop shop" approach. AFTA proposes that the existing aggressive approach in reducing costs of distribution for the Full Service Airline (FSA) and stated cost benefits be closely reviewed by the Commission. Careful consideration of detriments that might result from the Proposed Conduct is warranted in these circumstances.

With the changing of partners in all reauthorisation requests, AFTA also enquires if the stated benefits of the previous authorisations have been delivered upon, especially with regard to customer service outcomes and overall public benefit. Ensuring that the stated benefits of their Proposed Conduct materialise should be the Commission's core objective, for there are detriments to the public that the benefits should be weighed against.

Public detriments in the current operating environment

Despite ongoing complexities and operational challenges, major airline carriers have been able to recover much faster in the post-pandemic operating environment than others across the tourism industry. While only a select few travel businesses have been able to breakeven, the airline industry is experiencing immense profitability with the Qantas Group repeatedly announcing significant profit upgrades.¹

Underpinning this profitability has been the substantial price increases that carriers have been able to charge for overseas travel as demand for flights outstrips capacity in Australia.² The inflationary impact of this dynamic has led to all-time high prices for consumers with the Commission finding that there has been a 27 per cent increase in all airfare types and that airlines no longer need to offer discounted fares to fill their aircraft.³

Despite demand for airfares having completely recovered in Australia, the Qantas Group including Jetstar has downgraded its forecasts to foreshadow that it is likely to have a smaller international capacity by the end of FY2023 than previously expected.⁴ The Proposed Conduct is unlikely to contribute to a willingness to accelerate additional capacity upgrades. It is notable that key competitors without equivalent authorisations have demonstrated a more discernible commitment

¹ Qantas, Qantas Group Market Update – Strong Demand Drives Profit Upgrade, 23 November 2022,

<<https://www.qantasnewsroom.com.au/media-releases/qantas-group-market-update-strong-demand-drives-profit-upgrade/>>.

² Bruno, Angelina, Kathryn Davis, and Andrew Staib. "The Recovery in the Australian Tourism Industry| Bulletin–December 2022." (2022).

³ ACCC, Airline competition in Australia, 10 December 2022.

<<https://www.accc.gov.au/system/files/Airline%20Competition%20in%20Australia%20-%20December%202022%20report.pdf>>.

⁴ Compare Application p.3. par 1.5 with Qantas, Qantas Group Market Update: Strong Demand Accelerates Recovery, 13 October 2022, <<https://www.qantasnewsroom.com.au/media-releases/qantas-group-market-update-strong-demand-accelerates-recovery/>> and Qantas, Qantas and Jetstar Adjust Third Quarter Capacity Settings, <<https://www.qantasnewsroom.com.au/media-releases/qantas-and-jetstar-adjust-third-quarter-capacity-settings/>>.

to increase capacity, with Qatar Airways and Singapore Airlines' capacity already back at 100 per cent and 82 per cent of pre-pandemic levels, respectively.⁵

In the post-pandemic operating environment, the Commission must ensure that the Proposed Conduct does not further enable increases to prices over increases to capacity.

Conditions to safeguard competitive distribution

As a regular distributor of all parties in this application our members recognise the value that consumers could derive from a continuation schedule coordination provided that appropriate safeguards are established.

An authorisation period of 10 years would be presumptive in circumstances where massive transformations are occurring across the travel industry in a rapidly evolving post-pandemic landscape. Any authorisation that is granted should only be approved for 5 years so that the Commission can revisit the dynamic travel environment at that time.

Given the current operating environment, it will be critical for the Commission to ensure that the Proposed Conduct leads to capacity increases and not price increases. To increase transparency in the current operating environment with the context of recent pricing activity, any authorisation should be conditioned upon the reporting on the coordination of routes and pricing managed under the Proposed Conduct.

AFTA strongly believes that the Proposed Conduct also has the potential to generate less competition on the distribution of airfares. Existing practices demonstrate that the airlines are likely to use renewed coordination to grow their direct sales channel at the expense of the consumer value derived from the efficiencies of travel agent distribution. In these circumstances, AFTA supports the ACCC specifying conditions in the authorisation to protect the competitive distribution of airfares.

In particular, the Commission should require the applicants to undertake that they will make all fare types and schedules made possible by the Proposed Conduct available to travel agents through all distribution systems - not only the New Distribution Capability. Furthermore, full and equal rights should be provided to travel agents in relation to customer refunds and cancellations that occur under the Proposed Conduct, so that airlines cannot discriminate against refund system to agents and their customers by disabling access to the refund system for their customers as they did during the pandemic.

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⁵ Qantas and Emirates, Authorisation Application, 7 November 2022, p.12. par 3.10.