

26 May 2021

Mr Tom Whitby
Contact Officer
Australian Competition and Consumer Commission
Email: exemptions@acc.gov.au

Dear Mr Whitby

SUBJECT: AA100540 – Qantas and JAL – submission

Thank you for the opportunity to comment on the draft determination of the application by Qantas Airways (Qantas) and Japan Airlines (JAL) to seek authorisation to coordinate operations between Australia and Japan.

North Queensland Airports continues to support this application for the major benefits it would provide for the recovery of tourism to Far North Queensland and the flow on economic benefits through export capability, and thus we would welcome the additional services proposed by the applicants.

In 2005 245,000 Japanese visitors flew direct to Cairns. This period also coincided with the highest ever level of freight exports from Cairns. Japanese visitor numbers slumped to 65,000 per annum in 2010, when Qantas switched to using the Jetstar brand and the Japanese economy slowed. Japanese visitor numbers to Cairns slowly rebuilt over the decade to 155,000 in 2019. This represented 55% of total international traffic for Cairns airport. Japanese residents are Cairns second largest foreign visitor group. The direct economic spend of these visitors was worth \$650 million to the Far North Queensland region in 2019.

Given the geopolitical tension between China and Australia, it is unknown when direct flights from China to Cairns will recommence. Japan has the potential to replace these high value visitors which will be vital to the recovery of the tourism industry in Cairns. If Japanese visitor numbers can be rebuilt to the level of 2005, this replaces all the direct visitors from Hong Kong and mainland China. The economic benefit for the tourism sector in Far North Queensland would be an additional \$440m per annum.

Rebuilding Japanese visitation to Cairns would deliver \$1bn per annum economic benefit for the tourism sector in the region. This goal is unlikely to be achieved without a full-service airline offer given Japanese passenger preferences for service and direct connectivity.

The route between Cairns and Tokyo is not big enough to support two full-service airlines. It is referred to within the industry as a “skinny” route. A Qantas / JAL JBA would leverage the brand and network strengths of both airlines in their home markets giving the route the best chance of success. Without the JBA, Qantas would be relatively weak at stimulating demand for their service in Japan and given the relatively small size of the outbound market from Cairns, the Qantas service would struggle to be viable.

Freight also represents a major opportunity to further support the economy of the Cairns region, an opportunity that has failed to be realised in recent years due to the capability of the Jetstar aircraft to carry freight. Qantas aircraft are certified to carry freight that Jetstar is not able to. This opens the market to high yielding premium product. Freight not only provides benefits for the regional economy it also plays a valuable role in supporting the overall profitability of the flight.

More than 20,000 people are directly employed in tourism in the Cairns region, with Japan the second biggest market for Cairns behind China, a return of direct air connectivity between Japan and Cairns, with full service carriers such as Qantas and JAL is critical to accelerate the recovery of international tourism, and boost the local economy. Thus, North Queensland Airports strongly encourages the ACCC to reconsider its draft determination, with consideration given to a regional exemption if authority is not granted to support a JBA across all airports.

Yours faithfully



Richard Barker

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