

Gavin Jones
Director, Competition Exemptions
Australian Competition and Consumer Commission

Sent via: exemptions@acc.gov.au

21 January 2021

Dear Gavin,

RE: Application for authorisation AA100540 – Qantas Airways Limited and Japan Airlines Co Ltd – interested party consultation

Thank you for the opportunity to provide a submission about the Qantas Airways Limited and Japan Airlines Co Ltd application for a Joint Business Agreement (the JBA).

Background

Queensland Airports Limited (QAL) owns and operates Gold Coast, Townsville, Mount Isa and Longreach airports, which last financial year collectively welcomed 6.3 million passengers. Our airports are crucial gateways and connect the Gold Coast and northern New South Wales, and regional Queensland to the rest of the country and beyond. As an organisation, QAL is dedicated to encouraging additional capacity and competition for our ports and the communities they support. In the specific context of the Gold Coast, approximately two-thirds of passengers are inbound visitors, driving economic benefit for the Gold Coast and northern NSW regions. QAL employs about 150 people directly and its airport activities facilitate thousands more jobs across Queensland and in northern NSW.

It is worth highlighting the significant impacts of COVID-19 management measures on the aviation sector since March last year. Passenger numbers for the QAL group dropped 5.7 million or 68 per cent in the 2020 calendar year. At our largest port, Gold Coast Airport, 4.76 million fewer passengers travelled through last year and supported the tourism and business sectors in this region. Normally the sixth busiest airport in Australia, welcoming and farewelling about 126,000 passengers on 420 flights a week, the Gold Coast Airport terminal was shut for a total of 45 days from April onwards in 2020 as a result of no RPT services.

The Qantas Group is one of Gold Coast Airport's key partners and Jetstar is the largest airline on the Gold Coast, delivering millions of seats each year and helping to drive tourism throughout the region. The Jetstar Gold Coast-Japan service had been in place since October 2008, running continuously until it was paused due to COVID-19 travel restrictions. This has made Gold Coast Airport, along with Sydney and Cairns, one of the key gateways for travellers between Australia and Japan in the past decade.

The Gold Coast region is one of the most popular destinations for Japanese visitors, welcoming more than 80,000 visitors in 2019 and growing at 10 per cent each year since 2015¹ - making Japan a crucial source market for inbound visitation and driving economic benefit across the Gold Coast and northern NSW.

¹ Tourism Research Australia, International Visitor Survey Year Ending December 2019

Since the widespread introduction of Low-Cost Carrier (LCC) airlines in the early 2000s, the Gold Coast has seen significant public benefit derived from the lower costs of travel opening up new and larger volume markets for key tourist destinations such as the Gold Coast. This supply of accessible capacity has supported the continued growth of the Gold Coast tourism industry, which will require ongoing and growing aviation access to recover from the effects of COVID-19 on tourism.

Proposed JBA

It is not the intent of this submission to draw any immediate conclusions about specific impacts on competition that would result from a JBA covering 68 per cent of the direct and indirect market between Australia and Japan, equating to 89 per cent of the direct market. Rather, the submission seeks to highlight potential points relating to the Gold Coast-Japan market and the role of each of these airline brands – thus, raising possible areas that could benefit from further consideration by the ACCC.

The Australia-Japan market has more in common with a domestic market than it does with traditional long-haul international markets such as Australia-United States, given the strong LCC presence over more than a decade. In 2019, Jetstar carried 40 per cent of the Qantas Group traffic on Australia-Japan services and one-third of the passengers covered by the proposed JBA². Unlike other JBAs authorised by the ACCC in recent years, the high level of direct LCC-brand presence in this market makes it important to understand the full impact of any JBA on forward capacity and public benefit both within and outside the JBA.

This LCC/Full Service Carrier (FSC) segmentation has seen carriers evolve (including within airline groups) to service different pockets of demand between the two countries, including the mix of Australian resident (outbound) travel to Japanese visitor (inbound) travel. For example, in FY19 Jetstar carried 31.1 per cent of total passengers between Japan and Australia (including Australian residents and Japanese visitors), but when focusing solely on Japanese visitors, Jetstar carried 36.8 per cent of all inbound Japanese travellers³. The LCC brand therefore has a relatively larger impact on economic benefit derived from inbound Japanese visitors than the FSC brands on the same market, with much of this benefit delivered to regions in which tourism is a critical part of the economy – such as Gold Coast and Cairns. Whilst there is a public benefit derived from consumer choice of outbound travel destinations provided by the FSC and LCC capacity on the Australia-Japan market, **in our view the public benefit derived from inbound visitation and the multiplier effects on regional economies makes the treatment of LCC airline brands within this proposed JBA especially important.**

It is worthwhile pointing to statements made in the application regarding the role of Jetstar in any JBA, specifically on page 6 where it states: *“While Jetstar is included in this application and would participate in joint business decision making, the primary focus of commercial coordination will be between Qantas and JAL given the compatibility between full service carrier offerings and network connectivity.”* Similarly, the application makes no mention of the role of ZIPAIR Tokyo, the long-haul LCC subsidiary airline of JAL, within this application except for being listed as a Related Body Corporate of JAL.

The applicants intend to include their LCC brands within the JBA, but do not reference any specific action or public benefit that would arise from their inclusion. In our view, there would be benefit from further explanation about how the companies plan to position each

² BITRE International Airline by Country of Port Data, 2019

³ Department of Home Affairs, Overseas Arrivals and Departures data, FY19

airline brand in the Japan-Australia market. Specifically, we would encourage the ACCC to seek further information regarding the following points:

- Under the JBA, how is “metal neutrality” envisaged to operate with the airline LCC brands, either LCC to Full-Service Carrier (FSC) or LCC to LCC?
- If the key provisions of the JBA are to the exclusion of the LCC brands, how will the JBA impact the future balance of LCC and FSC capacity on the Australia-Japan market?

We thank you for the opportunity to provide this submission. Please let us know if you need anything clarified. We are more than happy to discuss the contents of this submission with you as needed.

Yours sincerely,



Chris Mills
Chief Executive Officer
Queensland Airports Limited