

28 May 2021



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

Via email: gavin.jones@accc.gov.au

Dear Mr Jones,

RE: SUPPORT FOR QANTAS AND JAPAN AIRLINES JOINT BUSINESS AGREEMENT

COVID-19 and the consequential travel and border restrictions have brought the inbound tourism sector to its knees – the impacts of which will take years to recover.

The size of the recovery 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. We cannot have a ‘resume normal services’ approach to our export tourism industry. We must use this opportunity to find ways to innovate and improve practices to help build and sustain us into the future.

The Australian Tourism Export Council (ATEC) is the peak industry body representing the thousands of companies throughout Australia that provide tourism services to foreign visitors. ATEC’s role is to maximise the opportunity for Australian businesses in both existing and emerging markets, and to ensure any impediments to that growth are managed and kept to a minimum.

ATEC is the only singularly focused national body with inbound tourism at its core. Our membership represents the depth and breadth of our industry and includes more than 1,000 large national and multinational companies as well as small-and medium-sized enterprises, many of whom are based in regional and remote parts of Australia. In this way, we have a solid connection to the ‘grass-roots’ of our industry. We see and hear their direct experiences and we work alongside these businesses to alleviate the pressures and provide support.

On behalf of our national board and 1000+ 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%.

ATEC 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 members’ 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.

ATEC and Qantas have enjoyed a long and fruitful partnership, centred around driving strong capacity into and around Australia. We are firm supporters of commercial agreements that foster growth opportunities for Australia on the global stage. From an inbound tourism perspective, the JBA will:

- accelerate the rebuild of the Australia-Japan market;
- provide certainty for inbound operators to invest in the Japanese market;
- include a Qantas launching Cairns-Tokyo service which will be critical for growing the premium traveller market in FNQ and beyond and provide new opportunities for the corporate and MICE sector;
- ensure Japan Airlines continues to maintain capacity into the Australian market.

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



Peter Shelley
MANAGING DIRECTOR