



16 September 2019

Ms Marlene Tucker
Executive Director
International Air Services Commission
GPO Box 630
Canberra ACT 2601

Dear Ms Tucker, *Marlene,*

Application for Capacity – Japan route

We refer to guidance issued by the International Air Services Commission (**the Commission**) dated 3 September 2019 regarding the application process it intends to follow in relation to the allocation of additional capacity on the Japan route.

Qantas Airways Limited (**Qantas**) is applying for a new determination under section 7 of the *International Air Services Commission Act 1992* (**the Act**) allocating it two additional frequencies (return) per day on the Japan route to operate between Australia and Tokyo's Haneda Airport (**Haneda**).

Attached is our submission in support of the above application. As our submission contains some commercially sensitive information, Qantas has provided the Commission with Public and Confidential versions.

We would be pleased to provide the Commission any further information to assist in assessing this application.

Yours sincerely,

Andrew Parker
Group Executive, Government, Industry, International, Sustainability



QANTAS APPLICATION FOR CAPACITY JAPAN ROUTE

Executive summary

Following the conclusion of expanded air services arrangements between Australia and Japan, which Qantas was a significant advocate for by promoting expanded access to Haneda over many years, additional capacity of two daily services (return) to operate to Haneda are now available for allocation to Australian carriers on the Japan route¹. The new arrangements provide access to Haneda during the daytime period² for the first time for Australia and will take effect from 29 March 2020.

The expanded arrangements reflect the close and broad-ranging partnership between Australia and Japan. Indeed, for Australia to be one of a limited number of countries (only nine)³ to receive additional access to this constrained and sought-after downtown gateway underscores the closeness and importance of the relationship.

Section 6 of the Minister's Policy Statement (**the Policy Statement**) provides, in part, that the Commission is to perform its functions in a way that will achieve the Act's primary objective of enhancing the welfare of Australians by promoting economic efficiency through competition in the provision of international air services. Allocation of capacity to Qantas, as outlined in this application, will have a positive impact on competition, tourism and trade and is therefore of benefit to the public and wholly consistent with the objective of the Act. Qantas is also the only **no risk** option to meet the requirement for this allocation of capacity to commence services to Haneda on 29 March 2020.

Qantas is an established international carrier and has been serving the Japan route for over 70 years. In addition to having operational capability and certainty to commence both additional Haneda services from the commencement of the IATA northern summer scheduling season (NS20), Qantas is the only Australian carrier to have the necessary brand, sales and distribution, network, marketing presence and regulatory approvals to support these additional services in a long-term and sustainable manner.

Accordingly, and consistent with the primary objective of the Act, allocation of the two additional Haneda frequencies to Qantas would ensure there is **no risk** of the capacity not being fully utilised in the required timeframe and would promote effective competition by Australian carriers on one of the country's most mature but complex travel markets.

Qantas' plans for daytime Haneda services will provide direct access between Melbourne and Haneda for the first time – a city pair that is not currently served non-stop by any other carrier. As existing Haneda flights serve Sydney, a new Melbourne-Haneda service would promote inter-gateway competition. The additional service will be an introduction of a second frequency between Sydney and Haneda.

¹ Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development, *New opportunities for Australia-Japan aviation*

<https://minister.infrastructure.gov.au/mccormack/media-release/new-opportunities-australia-japan-aviation>

² Daytime hours are between 0600 and 2255 hours (local time) and nighttime/early morning hours are between 2200 and 0655 hours (local time).

³ Haneda Airport International Flight Slots, Ministry of Land, Infrastructure, Transport and Tourism https://www.mlit.go.jp/report/press/kouku04_hh_000196.html

Qantas' plans – application for capacity

Qantas plans to introduce the following additional services between Australia and Haneda:

1. One daily frequency (return) between Melbourne and Haneda (year-round).
2. One additional daily frequency (return) between Sydney and Haneda (year-round).

City pairs/sector	Frequency	Aircraft type
Melbourne-Haneda	One frequency per day	A330
Sydney-Haneda	One frequency per day	A330/B789

Qantas will commence these services on 29 March 2020, to coincide with NS20, immediately as the slots become available and in accordance with the terms of the updated Australia-Japan air services arrangements.

Qantas requests the allocation of two frequencies to/from Haneda per day under section 7 of the Act to enable implementation of the above plans. The new determination is requested on the following basis:

- the allocation is requested for a period of five years from the date of the determination;
- the capacity will be fully utilised by 29 March 2020; and
- the capacity may be utilised by Qantas.

Submission outline

This submission is made in support of the application for the new determination and in accordance with the guidance issued by the Commission dated 3 September 2019. The guidance advised airlines to provide the Commission with all relevant information to support their application, including addressing:

- the 'reasonable capability criterion' in section 8 of the Policy Statement;
- the additional public benefit criteria listed in section 9 of the Policy Statement; and
- how the proposed service(s) promotes the object of the Act as provided in section 3 of the Act.

Section 8 of the Policy Statement – Reasonable capability criterion

In assessing the benefit to the public of an allocation of capacity, the Commission must apply the criteria set out in the Policy Statement pursuant to section 11 of the Act.

Under section 8 of the Policy Statement, the Commission is to assess the extent to which all Australian carriers that are, or would be, permitted to use the capacity allocated under a determination are reasonably capable of: (a) obtaining any licences, permits or other approvals required to operate on and service the route to which the determination relates; and (b) using the capacity allocated under the determination.

Qantas holds the following determinations under section 8 of the Act in connection with capacity operated by Qantas and its wholly-owned subsidiary, Jetstar Airways, on the Australia-Japan route:

- [2012] IASC 102 allocating unlimited capacity to points in Japan, other than Haneda; and
- [2014] IASC 120 (renewed by [2019] IASC 102) allocating seven frequencies per week to Haneda.

Qantas is an established international carrier and will have maintained uninterrupted operations to Japan for 72 years this December. Given its long-standing services between Australia and Japan, including operations to Haneda since 2015, Qantas is reasonably capable of obtaining the necessary regulatory approvals required by the relevant authorities in both countries to commence two additional daily Haneda services.

As reflected in the Commission's guidance and timeline for allocating the capacity entitlements for services to Haneda, timing is a critical consideration in this application process. Qantas has demonstrated it is reasonably capable of using the capacity on the route with its existing operations and, importantly, will implement the planned services from 29 March 2020, when the new arrangements will take effect, without any delay or uncertainty.

Typically, Qantas would allow up to nine months to complete all the necessary requirements to launch to a new destination. For example, Qantas announced new Sydney-Sapporo services in April 2019 for commencement in December 2019. Further, Qantas successfully launched new double daily Tokyo services in a reduced timeframe, commencing in mid-2015 with Sydney-Haneda and Brisbane-Tokyo Narita Airport (**Narita**), after announcing services in December 2014⁴. This relatively short timeframe was possible due to Qantas' existing footprint and established operations on the Japan route. Given our existing services to Haneda, Qantas is well placed to immediately utilise the new capacity into Haneda with **no risk** to Australia's access to these valuable and scarce slots.

The Commission has repeatedly found Qantas reasonably capable to operate on the Japan route and there is no evidence to suggest any change in circumstances. An assessment under section 8 of the Policy Statement was made on the Japan route as recently as 15 January 2019 when the Commission determined to renew Qantas' existing allocation of capacity to serve Haneda (Determination [2019] IASC 102, paragraph 3.7).

As stated in the Commission's guidance of 3 September, timing is a critical consideration for Australian carriers to be awarded capacity to operate to Haneda from NS20. In accordance with the global slot coordination process, 31 October 2019 is the latest date for allocation of slots. All Nippon Airways (**ANA**) and Japan Airlines (**JAL**) have already each been confirmed by the Japanese authority as each having one frequency per day during daytime hours between Haneda and Australia.⁵

Any potential delay to the commencement of services by a carrier applying for capacity or disruption to operations will place these highly valuable slots, future access and the strong, longstanding relationship that Australia maintains with Japan at risk. This could set an international precedent which negatively impacts Australia's prospects or leverage in negotiations on future access with Japan or more broadly with other strategic partners.

For other potential applicants without an existing operational footprint, there is a risk that regulatory requirements to launch services to Japan may not be completed in advance of NS20. These requirements include, but are not limited to, slots, security, safety, operations specifications, regulatory, schedule and business registration.

⁴ *Qantas to launch non stop services from Brisbane to Tokyo*, Qantas Newsroom, 9 December 2014 <https://www.qantasnewsroom.com.au/media-releases/qantas-to-launch-non-stop-services-from-brisbane-to-tokyo/>

⁵ Ministry of Land, Infrastructure, Transport and Tourism, *About Haneda Airport international flight slots* https://www.mlit.go.jp/report/press/kouku04_hh_000196.html

Requirements	Timeframe	Comments
Aircraft Fleet Registration Form	> 3 months for addition of fleet/s up to 8 months for Start-Up	Engineering documents, Aircraft certificates, Flight crew licenses etc.
Parts Departing from Aircraft	> 3 months for addition of fleet/s up to 8 months for Start-Up	Service Bulletin Compliance, Noise certificates, flight crew training etc.
Navigation Equipment	>3 months for addition of fleet/s up to 8 months for Start-Up	
Ground Handling contracts	3 months	Request for proposal, ground handler assessment and negotiation
Catering provider	3 months	Request for proposal, supplier assessment, menu design
Airport infrastructure & IT	3 months	Terminal office establishment
Crew accommodation	3 months	Site assessments, supplier negotiation
Airport Authority Approval	Various	
Timetable approvals	Various	
Overflight clearances	Various	

As an example, the addition of Qantas' A380 fleet to existing approvals in Japan has taken more than three months. We therefore anticipate that the timeframe for a new operator to complete all requirements would be approximately up to eight months – a significant risk to achieving the object of the Act. Even if these requirements be met by the mandated start date, building a strong, viable selling presence to promote the additional capacity across the varying distribution channels in Australia and Japan would be challenging in such a short timeframe.

Section 9 of the Policy Statement – Additional public benefit criteria

Competition criteria

Subsection 9(a): desirability of fostering an environment in which Australian carriers can effectively compete with each other and with foreign carriers on the route in question

- Japan is a significant aviation market for Australia, with approximately one million passengers travelling between the two countries in Financial Year 2019. However, the Commission will be aware that the aviation industry is exposed to a complex range of externalities beyond its control.
- Japan was Australia's fifth largest inbound market for visitor arrivals the year ending March 2019.⁶ Earlier, in 1997, Japan was the largest visitor market however, in the following decade,

⁶ Tourism Research Australia, International Visitor Survey, <https://www.tra.gov.au/International/international-tourism-results>

the number of inbound visitors continued to fall due to various factors such as the Asian Financial Crisis in 1997 as well as the outbreak of SARS and other influenzas across the region⁷.

- Arrivals improved in 2010 after this period of decline however, visitors fell by 16.4 per cent in Calendar Year 2011 following the 2011 Tohoku earthquake and tsunami⁸.
- While it is a cyclical market, the Australia-Japan route has recorded consistent growth over the past decade. In Financial Year 2019, Japanese visitors to Australia grew by 8.2 per cent, whilst Australians visiting Japan grew by 11.2 per cent, building on growth of recent years.
- Over the past decade, travel between the two countries has become increasingly more balanced, with an equal split between Australian residents and inbound tourists. This contrasts to a 30/70 split nearly a decade ago. A significant part of this shift can be attributed to the gradual increase in the Qantas Group's presence on the Japan route, including the launch of unique non-stop services such as Brisbane-Narita and Sydney-Osaka.
- The Australia-Japan route is principally a leisure market, with approximately 71 per cent of passengers travelling for holiday purposes, 11 per cent visiting friends and relatives (VFR) and six per cent for business in Financial Year 2019⁹. The majority of traffic (resident and visitor) is for holiday purposes, however education and convention traffic is primarily driven by the inbound market.

Trip purpose	Inbound resident	Inbound visitor	Total
Holiday	75.2%	67.6%	71.3%
Visiting Relatives	12.1%	10.9%	11.5%
Business	6.2%	5.5%	5.8%
Education	1.7%	6.6%	4.1%
Convention	1.7%	4.7%	3.2%
Other	3.2%	4.8%	4.0%

- The majority of resident and visitor traffic travels to/from New South Wales and Queensland (33 per cent each), followed by Victoria (21 per cent).

State	Inbound Resident	Inbound Visitor	Total
NSW	168,952	154,441	323,393
QLD	107,381	215,034	322,415
VIC	124,677	76,910	201,587
WA	42,762	25,980	68,742
SA	19,337	9,212	28,549
Other	19,127	14,733	33,860
Total	482,236	496,310	978,546

- Following a strong recovery period in recent years, the number of Japanese visitors to Australia is forecast to continue to grow, across all purposes of travel.¹⁰ We expect Japan's popularity

⁷ Tourism Research Australia, *Marketing Matters – Japan*, October 2013, <https://www.tra.gov.au/tra/2016/industryresources/Marketing-matters.html>

⁸ Tourism Research Australia, *Marketing Matters – Japan*, October 2013

⁹ Australian Bureau of Statistics

¹⁰ Tourism Research Australia, *International Tourism Forecasts*, Japan

with Australian residents will continue to grow with the country hosting several international events in the next few years such as the 2019 Rugby World Cup, the Tokyo 2020 Summer Olympic and Paralympic Games, the Kansai World Masters Games in 2021 and the World Expo in Osaka 2025.

- The air services arrangements permit the entry of multiple Australian and Japanese carriers and there is sufficient capacity available to accommodate their entry to the market. The open skies agreement between Australia and Japan, signed in September 2011, provides for unlimited capacity to operate international services between any points in Australia and all points in Japan other than Haneda. **[CONFIDENTIAL INFORMATION REDACTED]**.
- Qantas' plans for daytime Haneda services will provide direct access between Melbourne and Haneda for the first time – a city pair that is not currently served non-stop by any other carrier. As existing Haneda flights serve Sydney, a new Melbourne-Haneda service would promote inter-gateway competition. The proposed service will replace Qantas' Melbourne-Narita service, which commenced in December 2016. JAL has operated a daily Narita-Melbourne service since September 2017.
- Victoria is the second largest market to/from Japan for business purpose travel, reflecting close corporate ties with Japan. There are more than 170 Japanese companies across a wide range of industries currently operating in Victoria¹¹, generating demand for a direct Haneda service, which would be popular with business travellers due to its downtown Tokyo location. For these travellers, Haneda is a more convenient option, saving up to one and a half hours on the airport commute compared to Narita.¹²
- A new Qantas Melbourne-Haneda service provides a more geographically diverse and competitive market structure between Australia and Haneda, reaching a broad catchment area across Australia with greater connectivity for regional Victoria, Tasmania and South Australia.
- Qantas' plans include adding a new daily Sydney-Haneda service, the largest Australia-Tokyo route. An additional daily service to Haneda, at an alternative timing, would provide more choice and greater convenience for these travellers heading directly to downtown Tokyo.
- Qantas is best suited to serve Haneda and the airport's skew towards premium passengers, with a reputation for quality product, service and operational reliability. These services will be operated with new or recently refurbished aircraft, at timings convenient for business travellers.
- Qantas' plans to utilise the daytime Haneda frequencies do not deny competition from other Australian carriers. There are no constraints at Narita or any other point (with the exception of Haneda) under the air services arrangements between Australia and Japan, where capacity is unrestricted.
- Narita is currently completing a comprehensive capacity enhancement program, resulting in increased departure and arrival slot limits to 300,000 annually and flexibility in late night flight

<https://www.tra.gov.au/International/International-Tourism-Forecasts/international-tourism-forecasts>

¹¹ Global Victoria, *Victoria's Relationship with Japan*, <https://global.vic.gov.au/all-offices/japan/victorias-relationship-with-japan>

¹² Qantas does double daily to Japan, <https://www.qantasnewsroom.com.au/media-releases/qantas-goes-double-daily-to-japan/>

restrictions¹³. These enhancements will also be in effect from NS20, providing even greater access, and competition, to Tokyo¹⁴.

Subsection 9(b): the number of carriers operating on the route in question and the existing distribution of capacity among Australian carriers (including through code sharing and other joint international services)

- The Australia-Japan route is characterised by intense competition and is served extensively by both direct and mid-point carriers. An overview of the key competitors is provided below. Qantas and its wholly-owned subsidiary, Jetstar Airways, are the only Australian carriers currently utilising capacity on the Japan route.
- Virgin Australia places its code on Singapore Airlines' one-stop services between Australia and Japan under an authorised strategic alliance. These do not require the Commission's approval as Australian entitlements are not being utilised by Virgin Australia as the marketing carrier.

Qantas

- Qantas was founded in 1920 and is Australia's largest international and domestic airline. The Qantas Group's (**the Group**) main business is the transportation of customers using two complementary airline brands – full-service carrier Qantas and low-cost carrier Jetstar Airways. Qantas also operates subsidiary businesses including other airlines and aviation-related ventures.
- The Group's network comprises over 200 destinations in over 46 countries including Australia and those served by codeshare partner airlines. Qantas is a founding member of the **oneworld** global alliance launched in 1999 and operates up to 29 frequencies per week between Australia and Japan. Qantas operates a daily non-stop service between Sydney and Haneda, and between Melbourne and Narita. Qantas is also the only airline to link Brisbane with Narita, and to operate non-stop from Sydney to Osaka (Kansai). In December 2019, Qantas will launch a direct seasonal Sydney-Sapporo service, its fifth route between Australia and Japan and the only direct service linking Australia with Hokkaido.
- In addition to its extensive network, Qantas has codeshare arrangements, as a marketing carrier, with the following airlines:
 - Cathay Pacific – Hong Kong-Sapporo/Nagoya
 - Cathay Dragon - Hong Kong-Fukuoka/Okinawa
 - Japan Airlines – Singapore-Haneda/Narita
 - Jetstar Airways – Cairns-Narita/Osaka and Gold Coast-Narita
 - Jetstar Asia – Singapore-Okinawa
 - Jetstar Japan – domestic Japan routes

Jetstar Airways

- Jetstar Airways is a wholly-owned low-cost carrier subsidiary of the Group, founded in 2003. The airline operates 76 aircraft and offers an extensive domestic Australia network as well as regional and international routes. Jetstar has stakes in sister airlines Jetstar Asia Airways, Jetstar

¹³ <https://www.narita-kinoukyouka.jp/en/status.html>

¹⁴ <https://www.naa.jp/en/b2b/enhancement/>

Pacific Airlines and Jetstar Japan. Jetstar Japan is a significant investment of which the Qantas Group has a 33 per cent shareholding. Jetstar Japan is incorporated in Japan and began operating flights within Japan from 3 July 2012 and international destinations in early 2015.

- Jetstar provides direct services between Queensland and Japan including, Cairns to Narita and Osaka, as well as Gold Coast to Narita. Finnair, JAL and Qantas codeshare on these services.

All Nippon Airways

- ANA was founded in Tokyo in December 1952 and operates from its main Tokyo hubs of Haneda and Narita International Airports, with secondary hubs in Osaka Itami and Kansai. ANA operates a fleet of more than 230 aircraft to over 97 destinations utilising their subsidiary airlines including Air Japan, ANA Wings and Vanilla Air. The airline group also consists of partial holdings in other regional Asian airlines and other aviation-related businesses. ANA operates an extensive network across regional Japan, and has an international network serving Australia, Asia, America and Europe.
- After exiting the Australia-Japan market in 1999, ANA recommenced services in December 2015 with a daily flight between Sydney and Haneda. In September 2019, ANA commenced daily services between Perth and Narita. ANA has been a member of Star Alliance since 1999 and has reciprocal codeshare arrangements with Air New Zealand.

Japan Airlines

- Japan Airlines (**JAL**) commenced operations in 1951 as the flag carrier of Japan, and primarily operates from its main hubs of Haneda and Narita airports in Tokyo, with secondary hubs in Osaka Itami and Kansai. The JAL Group consists of JAL as well as numerous wholly and partially owned subsidiaries such as J-Air, JAL Express, Japan Air Commuter as well as a number of other aviation related businesses. JAL Group operations include passenger and cargo services to 220 destinations in 35 countries worldwide including codeshares with a core fleet of 279 aircraft.
- JAL currently operates direct services to Australia from both Sydney and Melbourne to Narita. JAL joined the **oneworld** global alliance on 1 April 2007 and **oneworld** alliance partners Finnair and LATAM codeshare on JAL's services between Australia and Japan. It has codeshare agreements, as a marketing carrier, with the following airlines – Cathay Pacific, Jetstar Airways, LATAM and Qantas. JAL operates an extensive domestic Japan network beyond its main gateways, as well as numerous operations across Asia, Europe and North America which offer a competitive one-stop option for Australian passengers to connect over Japan.

Singapore Airlines

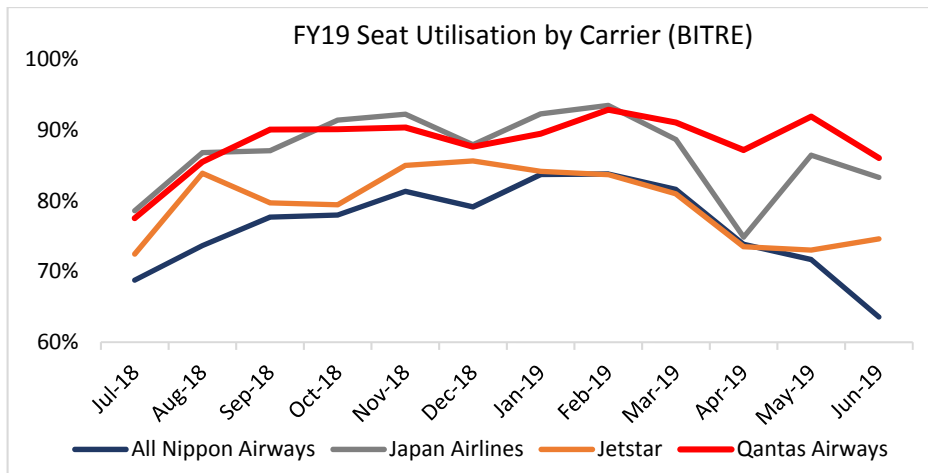
- The Singapore Airlines Group operates an extensive network to 138 destinations across Asia, Europe, North America, the Middle East and Africa with a fleet of 195 passenger aircraft. Based at Changi Airport, Singapore Airlines is the national carrier of Singapore. It is the parent company to over 20 subsidiaries, including numerous full-service and low-cost airlines as well as other aviation related businesses worldwide from cargo to engineer overhaul.
- For example, one of its subsidiaries SilkAir, is a full-service premium airline offering short-to-medium haul services as a regional carrier designed for leisure and business travellers in Asia. Singapore Airlines plans to merge SilkAir into the parent company following a product and cabin upgrade commencing 2020. Another subsidiary, Scoot, officially commenced operations in June

2012 and completed a merger with Tigerair (Singapore) in July 2017. Scoot primarily operates long-haul international services from Singapore Changi Airport, including into Japan to destinations such as Sapporo and Osaka.

- Singapore Airlines has been a Star Alliance member since 1 April 2000 and is a strong competitor on services between Australia and Asia and the UK/Europe. It is the second largest carrier in market share out of Australia. It currently operates up to 140 frequencies per week from Singapore to Brisbane, Sydney, Melbourne, Adelaide, Perth and Canberra. It's subsidiary SilkAir operates non-stop services from Singapore to Darwin and Cairns. Scoot operates to Sydney, Melbourne, Perth and the Gold Coast.
- The extensive and growing operations between Australia and Singapore create a competitive one-stop proposition between Australia and Japan with seamless connectivity from Singapore to seven destinations in Japan (Haneda, Narita, Fukuoka, Osaka, Nagoya, Hiroshima and Sapporo).

Subsection 9(c): the likely impact on consumers of the proposed allocation, including on costs of airfares, customer choice, product differentiation, stimulation of innovation by incumbent carriers and frequency of service

- Qantas will continue to provide increased choice and frequency of service and innovative, product differentiation on the route. Qantas' plans to grow non-stop services on the route, along with enhanced frequency and schedule choice between Australia and Japan, will bring benefits for business travellers and Australian exporters. This is particularly pertinent following the conclusion of the Japan-Australia Economic Partnership Agreement between the two countries in 2014.
- Capacity between Australia and Japan has been steadily growing with a five-year Compound Annual Growth Rate of 9 per cent. Continued focus on and investment in the Japan route, including the addition of three new routes, has seen Qantas average 30 per cent growth over the same period. Qantas' growth has successfully stimulated market competition, demonstrated by the addition of services from both ANA and JAL over the same period. Japanese travellers now have access to more choice than at any time in the last decade.
- Further, Qantas and JAL are able to utilise membership of the **oneworld** alliance to leverage the strength of each carrier's domestic network connectivity as feeder traffic onto the Japan route. ANA is similarly able to offer unique itinerary combinations as a result of its membership of the Star Alliance.
- By actively stimulating the market with lower airfares and unique distribution strength, Qantas has maintained seat factors during periods of typically low demand (April to July) compared to other carriers. The strong presence of the Qantas brand in Japan and Australia, investment in marketing, along with established relationships with the travel industry and tourism authorities, support increased capacity and enhance customer choice.



Impact on the cost of airfares

- The proposed Qantas services to Haneda would continue to offer a range of pricing options and price competition in the market, for both sales in Japan and Australia.
- Of the carriers offering non-stop Australia-Japan services, Qantas has the most proactive sales from both Point of Sale (POS) Australia and POS Japan, at the lowest prices. **[CONFIDENTIAL INFORMATION REDACTED]**.
- **[CONFIDENTIAL INFORMATION REDACTED]**.
- Consistent with other route launches, such as Brisbane-Narita, Melbourne-Narita, and Sydney-Osaka, Qantas plans to celebrate the launch of the new services by offering sale fares.
- Travel bookings for the Japan market are significantly earlier than other Asia routes. **[CONFIDENTIAL INFORMATION REDACTED]**. This further demonstrates that allocating additional frequencies to Haneda to Qantas presents no risk to Australia’s ability to effectively utilise this capacity given Qantas is an established carrier with a strong sales and distribution presence in Japan and long-standing trade arrangements to provide options for all market segments.
- As mentioned above, the allocation of this additional capacity to Qantas does not prevent entry for other Australian carriers seeking to provide direct services between Australia and Japan (or even East Coast Australia – Tokyo), considering the open skies arrangements and available slots at Narita.

Increased choice and frequency of service

- Qantas’ planned Melbourne-Haneda service provides greater choice for consumers travelling between Australia and Japan. Qantas would operate a currently unserved point-to-point route and provide greater variety of one-stop options for Haneda access from Australia. For those passengers travelling beyond Haneda to domestic Japan, a Melbourne-Haneda service provides new or improved same-day connectivity to 18 cities from NS20.
- The addition of a second daily Qantas Sydney-Haneda flight will provide even more options for the strong demand between the two cities, particularly for the large proportion of business

travellers, by offering Haneda service at different times of the day. The new slots provide for greater choice for consumers with a daytime travel option to Haneda [CONFIDENTIAL INFORMATION REDACTED] in addition to Qantas' current overnight service.

Product differentiation

- Competitors on the Japan route offer a high standard of service and product – Qantas' proposal is consistent with this and reflects the premium demand for Haneda services. The proposed Melbourne-Haneda service will be operated by Qantas' reconfigured Airbus 330 aircraft and it is planned the additional Sydney service will utilise Airbus 330 or new Boeing 787-9 Dreamliner aircraft.
- The Dreamliner is a more efficient aircraft, which will gradually replace the Boeing 747 aircraft on Qantas' international network by the end of 2020. Qantas' Dreamliner features the latest version of the airline's Business Suite, known as "mini First Class" by some frequent flyers, as well as a next generation Premium Economy seat and a significantly improved Economy seat with extra storage compartments and more legroom¹⁵.
- In addition to enhanced connectivity, there are a number of benefits available to consumers under the **oneworld** alliance when connecting to/from a Qantas or JAL service. These reciprocal benefits include lounge access, priority check-in and boarding, priority baggage, increased baggage allowances and tier status recognition.

Stimulation of innovation

- Qantas' proposed services will stimulate further demand on the Australia-Japan route and ensure all carriers continue to innovate in terms of fares and product offering. Qantas' ability to effectively utilise its sales and distribution presence to stimulate demand has been consistently proven, particularly in more recent years with capacity additions driving significant market growth and strong competitive responses.
- Throughout Qantas' long-standing presence on the Japan route, it has continued to innovate and enhance consumer benefit. Recent examples include launching a new Japanese meal service in business class on flights between Australia and Japan on 1 September 2019. The meal service will be presented on a range of bespoke Japanese inspired tableware by Noritake and feature new menu items including a Bento box, main course, miso soup, steamed rice and dessert. This new menu has been specifically developed for the Japan route to reflect consumer preferences.
- In May 2019, Qantas announced the first of a series of dedicated Frequent Flyer redemption flights across its network with seats only available to members redeeming Qantas Points. The inaugural Points Plane will be an Airbus 380 aircraft operating from Melbourne to Narita on 21 October 2019¹⁶. Qantas received a strong response from consumers to these new dedicated Points Plane flights – a first for Qantas and the Japan route.
- Since announcing the initiative, the concept has been extended to Jetstar Airways. From 3 to 16 September, all Jetstar flights departing from Cairns or the Gold Coast to Japan, can be booked as

¹⁵ <https://www.qantasnewsroom.com.au/media-releases/qantas-dreamliner-sets-sights-on-santiago/>

¹⁶ <https://www.qantasnewsroom.com.au/media-releases/qantas-launches-points-plane-exclusive-flights-for-frequent-flyer-redemptions/>

a Classic Flight Reward with Qantas Points for travel from 12 November 2019 to 12 December 2019.¹⁷

Subsection 9(d): the desirability of fostering own aircraft operations by Australian carriers over code share or other joint international air services involving the marketing, by an Australian carrier, of seats on flights operated by foreign carriers

- Both proposals are for Qantas to utilise the capacity for own aircraft operations between Australia and Haneda.

Subsection 9(f): any determinations, decisions or notifications made by the ACCC, or any determinations made by the Australian Competition Tribunal, in relation to an Australian carrier using capacity in all or part of the route

- The Australian Competition and Consumer Commission (**ACCC**) has issued the following authorisations relating to the Japan route:
 - Authorisation numbers: A91600 & A91601 - Qantas and Jetstar Airways for coordination involving Qantas and three Jetstar joint venture airlines (Jetstar Asia, Jetstar Pacific and Jetstar Japan) and, in certain circumstances, the full-service airline shareholders of Jetstar Pacific and Jetstar Japan (Vietnam Airlines and Japan Airlines). Authorised until 31 March 2023.
 - Authorisation numbers: A91539 & A91540 - Virgin Australia and Singapore Airlines international airline alliance, including services operated by SilkAir, authorised for a further five years until 14 October 2021.

Subsection 9(g): any determinations, decisions or notifications made by a foreign agency that performs a comparable function to the ACCC or the Australian Competition Tribunal, or by a foreign aeronautical authority, in relation to a carrier using entitlements under a bilateral arrangement on all or part of the route

- Qantas and Jetstar Airways have received authorisation for the above coordination involving Qantas and three Jetstar joint venture airlines in respect of certain routes to/from Japan, from the Japanese Ministry of Land, Infrastructure, Transport and Tourism.

Tourism and trade criteria

Subsection 9(h): the level of promotion, market development and investment proposed by each of the applicants

- Qantas will promote the new Melbourne-Haneda and additional Sydney-Haneda services via its extensive sales and distribution footprint in both ends of route through a combination of year-round competitive pricing, route-specific tactical campaigns (either independently or in conjunction with various tourism bodies), unique itinerary combinations due to its global network footprint and **oneworld** alliance membership and ability to market to its extensive Loyalty program membership base of more than 12 million people.

¹⁷ <https://www.qantas.com/au/en/frequent-flyer/member-specials/jetstar-points-planes.html>

- As the peak travel period for Japanese visitors travelling to Australia is January to March, July to September and December, the services will commence during the low season. Qantas will invest in additional promotion and advertising to achieve the load factors and corporate/leisure passenger mix characteristic of our services.
- Qantas' long-standing relationships with travel agencies in Japan are particularly critical for the successful launch of new services given the popularity of wholesale packages and group tours. With brochures and rates generally required six to twelve months in advance of travel¹⁸, sales for the new services will commence within the preferred booking period and these relationships provide Qantas with a superior ability to sustainably service this additional capacity.
- In Financial Year 2018, Qantas spent approximately [CONFIDENTIAL INFORMATION REDACTED] on marketing activity in Japan. Qantas has demonstrated strong leadership over many years in Japan to raise market awareness of destination Australia through various promotional programs in partnership with the Australian Embassy, Tourism Australia and State Tourism Organisations.
- Qantas sales activities in Japan comprehensively cover the corporate and leisure segments of the market and are supported by sales offices located in Tokyo and Osaka with a combined [CONFIDENTIAL INFORMATION REDACTED] dedicated to promoting and servicing the Japan route.

Subsection 9(i): route service possibilities to and from points beyond Australia or foreign gateways

- Qantas provides various route service possibilities to/from regional Australia due to its strong network and connectivity, as well as links to Qantas Group domestic and international services. Connectivity to/from domestic Japan, while currently accessible via Narita with Jetstar Japan, will grow significantly via oneworld alliance member JAL, given that Haneda is JAL's primary hub for domestic Japan services.

Melbourne-Haneda

- Additional slot access to Haneda Airport will provide a significant number of new connectivity options for consumers in Victoria, Tasmania and South Australia bringing in return significant economic benefit to their respective capital cities and their regional areas.
- Qantas' existing Melbourne service operates into Narita, where there is no connectivity to domestic Japan on partner airlines. Daily services between Melbourne and Haneda will immediately open connections to as many as 18 new points in Japan and Korea using partner airlines from NS20. These itineraries can be available immediately to consumers under the oneworld agreements already in place between Qantas and JAL.

New connecting destinations from Haneda		
Code	City	Country
KCZ	Nankoku	Japan
UBJ	Ube-Shinkawa	Japan
ITM	Osaka (Itami)	Japan
KOJ	Kagoshima	Japan

¹⁸ Tourism Research Australia, *Marketing Matters – Japan*, October 2013

NGS	Nagasaki	Japan
CTS	Sapporo	Japan
FUK	Fukuoka	Japan
MYJ	Matsuyama	Japan
OKA	Naha	Japan
TKS	Tokushima	Japan
HIJ	Hiroshima	Japan
OKJ	Okayama	Japan
AOJ	Aomori	Japan
KMQ	Komatsu	Japan
OIT	Oita	Japan
TAK	Takamatsu	Japan
KKJ	Kitakyushu	Japan
KIX	Osaka (Kansai)	Japan
GMP	Seoul (Gimpo)	South Korea

- Offering this new service will make Haneda immediately accessible for many more Australian travellers by providing unique or improved connectivity to/from regional Victoria, Tasmania, and South Australia. The timings of the Melbourne-Haneda service mean that consumers will be able to connect one-stop, on the same day from Mildura, Launceston and Devonport, providing significant economic benefit to regional Victoria, Tasmania, and South Australia.
- This also brings improved connectivity and opportunities for consumers travelling to/from Adelaide and Hobart. Domestically, Qantas operates Boeing 737 aircraft on the Hobart-Melbourne route offering greater seat capacity, particularly for Japanese groups, than the current one-stop journey via Sydney, operated with smaller Boeing 717 aircraft.
- For Adelaide, Qantas on average, operates 12 flights per day to Melbourne compared to eight flights per day to Sydney. **[CONFIDENTIAL INFORMATION REDACTED]**. Importantly, the new services would provide consumers with same day connections from Mildura to Matsuyama, or Adelaide to Aomori, significantly boosting economic links between the whole of Australia, and the whole of Japan.
- This clear enhancement of consumer choice demonstrates the public benefit of this additional access. Trade and tourism benefits will necessarily flow from the range of new and improved connections, significantly boosting economic links between the two countries.

Sydney-Haneda

- Given the improved flexibility daytime access offers, compared to Qantas' current services to Haneda, the return flight from Haneda to Sydney is planned **[CONFIDENTIAL INFORMATION REDACTED]** providing new or improved connectivity to 16 destinations across Australia and the South Pacific.
- Importantly, the proposed services enhance connectivity for regional Australia. For example, a double daily Sydney proposition, will provide customers in the Northern Territory (Darwin and Alice Springs) same day connectivity in each direction.

New Connections	Improved Connections
Toowoomba	Canberra

Darwin	Adelaide
Alice Springs	Albury
Queenstown	Coffs Harbour
Fiji	Port Macquarie
Wellington (from NW20)	Hobart
Maroochydore (from NW20)	Noumea
Uluru (on Jetstar)	Cairns

Subsection 9(j): the availability of frequent, low cost, reliable air freight movements for Australian importers and exporters

- The Australia-Japan air freight market supports a sizeable two-way trade in goods, reflecting the trade and investment relationship between the two countries¹⁹. Qantas Freight utilises the belly space on Qantas passenger services to uplift freight to/from Japan. Freight carried chiefly consists of automobile parts, medical supplies, live animals, mining equipment and fresh produce, as well as international air mail services.
- Additional frequencies between Australia and Japan will provide customers with a greater choice and an opportunity to expand the uplift of freight. More competitive pricing is likely to result through increased capacity.

¹⁹ Japan country fact sheet, Department of Foreign Affairs and Trade, <https://dfat.gov.au/trade/resources/Documents/japan.pdf>