

Ms Marlene Tucker  
Executive Director  
International Air Services Commission  
GPO Box 639  
Canberra ACT 2601

(By email)

Dear Ms Tucker

**RE: Draft Decision [2019] IASC2042 concerning Qantas Airways Ltd application, seeking variation to Determination [2015] IASC 115**

We refer to the International Air Services Commission's Draft Decision [2019] IASC 204d, which proposes to reject Qantas' application to vary Determination [2015] IASC 115, to allow Cathay Pacific to place its code on selected Qantas services between Australia and Hong Kong.

As participants in this proposed arrangement we are disappointed at the draft decision, because it limits our ability to enhance our product offering which would have been a benefit to customers in Australia and around the world. The decision would prevent a product enhancement for Australians resident in your country, but also those living and working abroad and travelling home, and overseas passengers and businesses seeking to visit Australia for commercial or leisure purposes. Making more codeshare services to Australia available via our sales channels increases the likelihood of tourists choosing to make such trips, thereby benefiting Australia.

Enhancements to airline service offerings, including 'soft' benefits (such as the simplicity and efficiency enhancements that this codeshare provision would provide) is an objective that we always hope governments will support. Such improvements benefit their own citizens, and improve travel for the many overseas individuals and businesses, who by travelling to and from Australia support the Australian economy.

In Paragraph 5.14 the Commission questions whether the inclusion of a domestic sector in the itinerary sufficiently 'changes' the product being offered. We believe that the inclusion of a domestic sector in conjunction with the (requested) international codeshare sector means that Australian communities (communities that are not at gateway airports) would gain increased simplicity and efficiency in arranging their travel to Hong Kong by having more itinerary options. In addition, Australians travelling to destinations beyond Hong Kong (due to the required inclusion of either a beyond or a behind point to the proposed codeshare) would also benefit in similar ways by the proposed expansion.

The data cited (5.30, table 6) confirms that a significant number of passengers on ex-HKG flights do not start or end their journeys in Hong Kong. Many of the HKG-Australia passengers already transit in an overseas hub airport, and so the suggestion (paragraph 5.54) that a transit via an overseas hub is inherently less attractive to a customer might be questioned.

Today airlines are competing against many more other carriers than was the case in years past. Virgin Australia has maintained significant codeshare/partnerships with both Singapore Airlines, and the mainland-China HNA Group. Australian passengers do therefore have abundant choice on non-Qantas routes to Hong Kong, or destinations beyond Hong Kong.

However where the Commission's concerns are restricted to impact on the 3<sup>rd</sup>/4<sup>th</sup> freedom sector to/from Hong Kong, then accepted airline economics should provide some comfort. Direct traffic capacity will always enjoy higher priority in terms of capacity allocation vs connecting traffic.

We hope that the points raised here will be considered by the Commission, and that given the public benefits which the arrangement can deliver, we would respectfully request a further review and reversal of this Draft Decision.

Yours sincerely,

Patrick Garrett

**Patrick Garrett**

Head of Regulatory Affairs – Policy & Regulations

International Affairs, Cathay Pacific