



Our ref: IASC 60232  
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Via email: [iasc@infrastructure.gov.au](mailto:iasc@infrastructure.gov.au)

Dear Ms Tucker

**Re: Qantas' application for variation to Determination [2015] IASC 115 (as varied) – Australia/Hong Kong Route**

We refer to Qantas' submission to the IASC dated 15 March 2019 (**Qantas' further submission**).

We wish to provide the following clarification in response to a passage in Qantas' further submission. In particular, Qantas appears to have misunderstood the statement in the ACCC's submission dated 28 February 2019 that the proposed conduct may make it "easier for Qantas and Cathay to coordinate their price and capacity decisions so as to raise price (or reduce service) for Australia-Hong Kong passengers who connect with a domestic Australia flight and/or a flight between Hong Kong and places in Asia."

In response to this point, Qantas states at page 3 of its further submission "We strongly reject any suggestion that there will be any direct or indirect coordination of price or capacity decisions between Qantas and Cathay under the codeshare (or in any other circumstances). Further to our earlier submission, we reiterate that the Codeshare Agreement between Qantas and Cathay is arms-length and prohibits any form of price, sales, capacity or schedule coordination and we confirm that the arrangement will be implemented in practice in full compliance with all relevant competition laws."

The ACCC's objective in identifying this as an area for analysis by the IASC was not to allege that there had been or would be collusion in breach of the *Competition and Consumer Act 2010*. Rather, we were suggesting that the IASC may wish to consider whether the changes to the codeshare would provide an ability and/or incentive for the airlines, acting rationally and taking into account each other's offers, to make independent decisions that would not involve collusion but may nevertheless reduce the intensity of competition between them. This concept is commonly considered by competition authorities and acknowledged in relevant literature. The fact there is a contract that prohibits explicit coordination does not fully address this possibility.

Yours sincerely

David Jones  
General Manager  
Adjudication