



9 April 2019

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

Dear Ms Tucker,

Re: Response to comments on Qantas' application for variation – Hong Kong route

In response to Virgin Australia's letter of 28 March 2019, Qantas Airways Limited (**Qantas**) submits the following comments to correct factual inaccuracies in Virgin Australia's submission.

Virgin Australia refers to "the claims made by Qantas that the code share will allow Cathay Pacific to market 18 new destinations" (page 3). Virgin Australia incorrectly represents Qantas' description of the public benefits, despite quoting Qantas' submission earlier in the letter, which refers to "18 new **connecting** destinations" [emphasis added].

As outlined in detail in our submission of 15 March 2019, the destinations themselves are not new. What is new is the ability to connect to these destinations within a maximum connection time of four hours (considered standard practice for determining a reasonable connection that would be acceptable to consumers).

Virgin Australia's letter includes a series of screenshots from Cathay Pacific's (**Cathay**) website to show existing connections however, these fail to include specific details such as transit time. We are puzzled that Virgin Australia would consider some of the examples as viable 'connections' at all. For example, Brisbane to Jinan has a current transit time of 12 hours and 5 minutes, compared to the shorter connection of 2 hours and 10 minutes afforded by placement of Cathay code on Qantas' Brisbane-Hong Kong service under the proposed variation.

Placement of Cathay's code on Qantas' Melbourne-Hong Kong service would reduce the average connection time to new connecting destinations (as outlined in Qantas' previous submission) from 8 hours and 10 minutes to 2 hours and 30 minutes. Cathay passengers travelling on Qantas' Brisbane-Hong Kong service would benefit from similar reductions. Placement of Cathay code on Qantas' Hong Kong to Sydney service would reduce average connecting time to the new connecting destinations from 6 hours and 20 minutes to 2 hours and 30 minutes. These are significant reductions in average one-way connecting times and consumers stand to benefit from them, should the International Air Services Commission (**the Commission**) approve the proposed variation, leading to broader tourism and trade benefits.



Virgin Australia argues that “any suggestion that Qantas’ application and its ability to implement broader code share cooperation with Cathay Pacific are interdependent should be disregarded by the Commission in its assessment of the application’s public benefit” (page 2). We disagree. Paragraph 9 (l) of the Minister’s Policy Statement provides that the Commission may consider any other matter or consideration that it considers to be relevant. In Qantas’ view, the interdependence between the codeshare routes subject to this application and the broader commercial relationship between Qantas and Cathay is relevant, particularly to the Commission’s understanding of the counterfactual scenario that is likely to occur in the absence of approval.

As outlined in Qantas’ submissions of 11 February and 15 March 2019, we fundamentally believe the proposed codeshare with Cathay is a pro-competitive proposition for consumers. The codeshare will deliver clearly increased schedule and itinerary choice for consumers, while preserving and extending the competitive tension between the carriers.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Parker', with a small dot at the end of the signature.

Andrew Parker

Group Executive, Government, Industry, International, Sustainability