

PUBLIC REGISTER VERSION

Application for Re-authorisation



Restated Master Coordination Agreement

**Application to the
New Zealand Minister of Transport pursuant to Part
IX of the Civil Aviation Act 1990**

11 October 2017

1 EXECUTIVE SUMMARY

Qantas Airways Limited (**Qantas**) and Emirates (**Emirates**) and their related bodies corporate¹ (together, the **Applicants**) seek re-authorisation from the Minister of Transport (**Minister**) under section 88 of the *Civil Aviation Act 1990 (CAA)* of a Restated Master Coordination Agreement dated 11 October 2017 (**Restated MCA**)² under which they will continue to coordinate their operations across their respective networks to better connect New Zealand and Australia to Asia, the United Kingdom, Europe and the Middle East and Northern Africa (**MENA Region**) (the **Proposed Conduct**).

The Proposed Conduct is fundamentally pro-competitive. Since the original Master Coordination Agreement dated 6 September 2012 (**Original MCA**) was authorised in 2013³, Qantas and Emirates have together delivered real and substantial benefits to New Zealand consumers. These public benefits include:

- improving connectivity and schedule choice over an expanded network, allowing passengers and freight customers to seamlessly travel or ship goods from New Zealand and Australia to Asia, the UK/Europe and MENA Region;
- offering reciprocal benefits for the millions of members of both parties' frequent flyer programs, including significant earning and redemption opportunities across the combined network;
- enabling sustainable operation of Qantas' international network to Europe;
- facilitating Emirates' expansion of non-stop services between New Zealand and the Middle East;
- providing world-class customer experiences and product innovation;
- provoking pro-competitive responses from rivals; and
- increasing tourism and promotion of international trade and business.

These benefits will continue to be delivered through the Proposed Conduct.

When they entered the Original MCA in 2012, the Applicants anticipated that the exact scope of the Proposed Conduct may be altered from time to time. Alliances need to evolve to reflect opportunities created by new aircraft technology, shifting traffic flows and consumer demand. Moving forward, the alliance will continue to deliver enhanced customer benefits underpinned by updated network and commercial arrangements reflecting market conditions in a dynamic and changing global industry.

In 2016, Emirates commenced non-stop services between Auckland and Dubai, offering New Zealand consumers improved access to the Middle East and beyond with reduced travel times.⁴ In October 2016 this service was upgauged to an A380 to meet consumer demand. In an effort to further enhance customer benefits, Emirates is also evaluating a potential second daily direct Auckland to Dubai service in the short to medium term. Given that more passengers are opting to fly directly

¹ See Annexure A which is a list of the related bodies corporate of each of Qantas and Emirates covered by this Application. Relevant Qantas entities include Jetstar Airways Pty Limited and Jetstar Asia Airways Private Limited, but exclude other Jetstar branded airlines. As was the case in 2012, the Application excludes catering, joint procurement, ground handling, engineering and cleaning services provided by either the Qantas Group or Emirates.

² See Confidential Annexure B.

³ The Original MCA was conditionally authorised by the New Zealand Minister of Transport on 15 May 2013, the Australian Competition and Consumer Commission (**ACCC**) on 28 March 2013 (ACCC Determination in relation to Applications for Authorisation lodged by Qantas Airways Limited and Emirates in respect of a Joint Coordination Agreement, 28 March 2013. Available: <http://registers.accc.gov.au/content/index.php/html/itemId/1078153/fromItemId/401858/display/acccDecision> (**ACCC Final Determination (2013)**) and the Competition Commission of Singapore on 28 March 2013.

⁴ The Emirates non-stop service between Auckland and Dubai reduces travel time to Dubai and beyond by approximately three hours.

between New Zealand and the Middle East, Emirates needs to readjust its network for point to point services between New Zealand and Australia. Emirates will continue to operate A380 services between Christchurch and Sydney. However, from 25 March 2018, Emirates will cease operating between Auckland and Australia.

At the same time, Qantas will commence increased daily frequencies from Auckland to both Melbourne and Brisbane, delivering enhanced connectivity and improved schedule choice for point-to-point passengers, which will be particularly valuable for business travellers. Qantas will also upgauge some services from Auckland to both Melbourne and Brisbane, with wide-bodied A330 aircraft operating on both routes, providing new opportunities for freight to Auckland.

The Proposed Conduct will enable the carriers to implement this network transition in a way that benefits consumers, including by maintaining connectivity between Tasman services and Qantas and Emirates long haul services out of Australia.

The new services from Auckland to Melbourne will connect with Qantas' new Melbourne-Perth-London and Melbourne-Singapore-London services, which are replacing the current operations to London via Dubai. Similarly, the Auckland-Brisbane services will connect to Qantas' new Brisbane-Singapore-London services, providing New Zealand consumers with new ways of travelling to Singapore or the UK/Europe. The new services from Auckland will also connect with Emirates' operations from Australia to Dubai and beyond, including an additional Emirates-operated daily non-stop frequency between Brisbane and Dubai from December 2017 and between Sydney and Dubai from March 2018.

These coordinated changes will give New Zealand consumers more options to travel on either airline through multiple hubs to Asia, UK/Europe and the MENA Region, while still experiencing benefits such as improved connectivity and enhanced reciprocal frequent flyer benefits which are only made possible through the Proposed Conduct. Dubai will remain a key hub for Qantas as part of the expanded alliance. Qantas passengers will continue to fly on Emirates flights to Dubai, from where they will have access to 38 onward connections on Emirates to Europe and 28 to the MENA Region. Likewise, Emirates passengers will have access to 60 onward connections on Qantas to destinations in domestic New Zealand and Australia.

The network adjustments will also result in benefits for New Zealand consumers wishing to fly to Asia via Australia. Qantas will upgauge one of its current Melbourne-Singapore services to an A380 aircraft, providing increased capacity and connectivity for passengers wishing to fly to Singapore and on to other parts of Asia or to India. Qantas' other Melbourne-Singapore service will increase in frequency from 3 per week to daily. Passengers will also benefit from increased spread of schedule choice between Melbourne and Singapore, with Qantas and Emirates together offering choices of new morning and evening departures out of both ports in both directions.⁵ Qantas will also retain all of its current Brisbane-Singapore frequencies, with passengers being able to connect from Singapore to Qantas' services to London or alternatively to multiple destinations in Asia.

These network changes, reflected in adjusted commercial terms in the Restated MCA, will make the Qantas and Emirates networks more complementary and deliver new schedule choices while still enabling continued delivery of compelling public benefits.

Such benefits would not eventuate without the Proposed Conduct. Without authorisation, there would be no commercial agreement between Qantas and Emirates or, at best, a vastly diminished arm's length codeshare. In these circumstances, the Applicants would lack any incentive to share broad access to each other's capacity and inventory or to provide flexibility and scope for respective frequent flyer members to earn and redeem points across two networks. This is particularly critical where access to destinations beyond hub gateways underpins the alliance. Absent the Restated MCA, there would similarly be no incentive for the carriers to collaborate on product innovation and customer service improvements.

⁵ Emirates' adjusted services to Singapore are subject to confirmation of slot applications in Singapore.

2 THE APPLICANTS

2.1 Qantas

Qantas was incorporated in 1920 and is Australia's largest domestic and international airline. Qantas operates over 4,500 flights per week in Australia and over 570 flights internationally. Qantas also operates airline related businesses including airport support services, catering, freight operations, loyalty programs and engineering.

The international destinations to which Qantas currently operates are set out in Table 1 and in the route map included as Annexure D to this submission.

Table 1: Qantas International Destinations (Ex Australia)

Region	Destinations
New Zealand/Pacific	Auckland, Christchurch, Wellington, Queenstown, Noumea, Port Moresby
Asia	Beijing, Bangkok, Hong Kong, Jakarta, Manila, Shanghai, Singapore, Tokyo Haneda, Tokyo Narita, Denpasar, Osaka ⁷
Europe	London
Middle East	Dubai ⁸
Americas	Dallas/Fort Worth, New York, Los Angeles, Honolulu, Santiago, Vancouver, San Francisco
Africa	Johannesburg

The Qantas Group (including subsidiary Jetstar) operates a total passenger fleet of over 280 aircraft, comprising Boeing B787s, 747s, 737s and 717s, Airbus A380s, A330s and A320s, Bombardier Dash 8s and Bombardier Q400s. From October 2017, Qantas will take delivery of its first of eight state-of-the-art Boeing Dreamliner 787 aircraft.

In addition to the Restated MCA, the Qantas Group is currently a party to the following alliances:

- an alliance with American Airlines, which was authorised by the Minister on 8 November 2015 and the ACCC on 25 February 2016;⁹
- an alliance with China Eastern, which was conditionally authorised by the ACCC on 21 August 2015;¹⁰ and
- the **oneworld** marketing alliance.

⁷ Operations commence 14 December 2017.

⁸ Qantas' services from Melbourne and Sydney to Dubai will cease from 24 March 2018.

⁹ ACCC Determination in relation to Applications for Revocation and Substitution lodged by Qantas Airways Limited and American Airlines Inc in respect of their restated joint business and related agreements, 26 February 2016. Available: <http://registers.accc.gov.au/content/index.phtml/itemId/1187050/fromItemId/401858/display/acccDecision> Note that as a result of a negative Show Cause Order issued by the United States Department of Transport (USDOT) in November 2016, Qantas and American Airlines withdrew their application for anti-trust immunity in the US and scaled back aspects of the alliance that were not viable without anti-trust immunity.

¹⁰ ACCC Determination in relation to Applications for Authorisation lodged by Qantas Airways Limited and China Eastern Airlines Corporation Limited in respect of a Joint Coordination Agreement, 21 August 2015. Available: <http://registers.accc.gov.au/content/index.phtml/itemId/1182892/fromItemId/401858/display/acccDecision>

Jetstar is a vital part of the Qantas Group's domestic and international operations. It operates low-cost, value based services in domestic Australia and to the international destinations set out in Table 2 below.

Table 2: Jetstar International Destinations (Ex Australia)

Region	Destinations
New Zealand/Pacific	Auckland, Christchurch, Queenstown, Wellington, Nadi
South East Asia	Bangkok, Ho Chi Minh, Phuket, Bali (Denpasar), Singapore
North East Asia	Osaka, Tokyo-Narita
Americas	Honolulu

Since its establishment in 2004, the Jetstar Group has evolved into a mature and successful low cost carrier with an expanded brand presence as follows:

- domestic New Zealand and Australia services (operated by Jetstar Airways);
- international services from Australia to New Zealand and destinations in Asia and the Pacific (operated by Jetstar Airways¹¹); and
- services within and between various countries in Asia under the Jetstar business model, operated by the following joint ventures:
 - Jetstar Asia Airways Pte Limited (**Jetstar Asia**), in which the Qantas Group has a 49 per cent interest, which is incorporated in Singapore and operates flights from Singapore to various destinations in Asia;
 - Jetstar Pacific Airlines Joint Stock Aviation Company (**Jetstar Pacific**) of which the Qantas Group has a 30 per cent shareholding. Jetstar Pacific is incorporated in Vietnam and operates flights within Vietnam and internationally; and
 - Jetstar Japan Co Ltd (**Jetstar Japan**) in which the Qantas Group has a 33.32 per cent shareholding. Jetstar Japan is incorporated in Japan and operates flights within Japan from and internationally.

The ACCC authorised coordination between the Qantas Group and the various Jetstar branded joint ventures in March 2013.¹² The Qantas Group is currently seeking re-authorisation of those arrangements from the ACCC. The Jetstar Group operates over 4,000 weekly flights to 75 destinations in 17 countries or territories with a combined operating fleet of 120 aircraft.¹³ A route map of the services currently provided by the Jetstar Group is available at www.jetstar.com.

This Application covers coordination between Qantas, Emirates, Jetstar and Jetstar Asia but does not cover coordination between Emirates and Jetstar Pacific or Jetstar Japan.

More information about the Qantas Group is available at www.qantas.com.

¹¹ Jetstar Asia operates a limited number of services from Australia.

¹² See ACCC Determination in relation to Applications for Authorisation lodged by Qantas Airways Limited and Jetstar Airways Pty Limited in respect of a joint venture coordination agreement, 26 March 2013. Available:

<http://registers.accc.gov.au/content/index.phtml/itemId/1063283/fromItemId/401858/display/acccDecision>

¹³ Jetstar Network – Jetstar Group: <http://www.jetstar.com/mediacentre/facts-and-stats/jetstar-network>

2.2 Emirates

Emirates is a Dubai corporation established by Decree No 2 of 1985 (as amended) and is wholly owned by the Investment Corporation of Dubai, which is ultimately wholly owned by the Government of Dubai. Emirates is the world's largest international carrier by revenue passenger kilometres (RPKs). It operates more than 1,000 flights per week across six continents from Dubai.

Emirates' route maps are set out in Annexure E. The destinations to which Emirates currently operates are set out in Table 3 below.

Table 3: Emirates Destinations

Region	Destinations
New Zealand/Pacific	Auckland, Christchurch, Perth, Brisbane, Adelaide, Melbourne, Sydney
Asia	Bangkok, Phuket, Kuala Lumpur, Singapore, Jakarta, Ho Chi Minh City, Manila, Hong Kong, Guangzhou, Shanghai, Beijing, Seoul, Osaka, Tokyo, Dhaka, Kolkata, Hyderabad, Chennai, Colombo, Malé, Thiruvananthapuram, Kochi, Bengaluru, Mumbai, Ahmedabad, Delhi, Lahore, Islamabad, Karachi, Peshawar, Phnom Penh, Hanoi, Yangon, Zhengzhou, Yinchuan, Cebu, Clark, Bali, Multan, Mashhad, Taipei, Kabul, Sialkot
Europe	Glasgow, Dublin, Birmingham, London, Manchester, Newcastle, Lisbon, Madrid, Barcelona, Paris, Lyon, Nice, Zürich, Geneva, Milan, Venice, Munich, Vienna, Prague, Warsaw, Frankfurt, Düsseldorf, Amsterdam, Hamburg, Copenhagen, St. Petersburg, Moscow, Rome, Malta, Athens, Istanbul, Larnaca, Zagreb, Bologna, Budapest, Brussels, Oslo, Stockholm
Americas	Seattle, Los Angeles, San Francisco, Dallas, Houston, Toronto, New York, Washington DC, Buenos Aires, Rio de Janeiro, São Paulo, Newark, Fort Lauderdale, Orlando, Chicago, Boston
Africa	Cairo, Khartoum, Addis Ababa, Entebbe, Nairobi, Dar Es Salaam, Lusaka, Harare, Johannesburg, Durban, Seychelles, Mauritius, Cape Town, Luanda, Lagos, Accra, Abidjan, Dakar, Casablanca, Tunis, Conakry
Middle East	Muscat, Jeddah, Madinah, Beirut, Amman, Riyadh, Dammam, Kuwait City, Basra, Bahrain, Doha, Erbil, Baghdad, Tehran

Emirates is not a member of any global marketing alliance.

Emirates has also entered into a cooperation agreement with flyDubai, a low cost carrier based in Dubai. This cooperation was authorised by the ACCC on 25 July 2012 for a 10 year term.

More information about Emirates can be found at www.emirates.com

3 THE PROPOSED CONDUCT

3.1 Restated Master Coordination Agreement

The Applicants entered into the Restated MCA on 11 October 2017 (see Confidential Annexure B). Implementation of the Restated MCA is subject to receiving relevant regulatory approvals.

Under the Restated MCA and associated agreements, the Applicants will continue to cooperate across their global networks, including in relation to:

- planning, scheduling, operating and capacity;

- sales, marketing, advertising, promotion, distribution strategies, reservation priority and pricing (including fares, rebates, incentives and discounts) for passengers, freight customers and agents;
- connectivity and integration of certain routes;
- codeshare and interline arrangements;
- control of inventories and yield management functions;
- frequent flyer programs;
- all passenger-related aspects to provide a superior, consistent level of service to customers including ground services and lounge access;
- harmonising service and product standards in order to provide a seamless product to passengers;
- harmonising IT systems;
- joint airport facilities;
- joint offices for sales activities;
- potentially other aspects of operations including ground handling, joint procurement and flight operations;
- where appropriate and mutually agreed, making joint submissions to authorities on operational matters; and
- services and activities that are required to facilitate any of the matters referred to above.

In entering the Original MCA in 2012, the Applicants anticipated that the exact scope of the Proposed Conduct may be altered from time to time. While the world class customer proposition offered by Qantas and Emirates will be maintained and enhanced going forward, alliances need to evolve to reflect opportunities created by new aircraft technology, shifting traffic flows and consumer demand. The alliance will continue to deliver customer benefits underpinned by updated network and commercial arrangements reflecting market conditions in a dynamic and changing global industry.

As set out earlier, in respect of the Tasman, the changes to the Emirates network will remove operating overlaps to Auckland while introducing increased daily frequencies, making the respective networks highly complementary and the service more attractive for New Zealand consumers.

3.2 Rationale For Proposed Conduct

For Emirates, the Proposed Conduct remains strategically important in providing access to New Zealand and Australian consumers and in facilitating capacity expansion. Emirates' long-term growth strategy in New Zealand, including the introduction of non-stop Auckland-Dubai services in 2016, has been enhanced as a result of the Original MCA, for the benefit of New Zealand consumers. More particularly, by working together, Emirates' non-stop service also supports Jetstar's domestic New Zealand operation which facilitates more seamless travel options to regional cities in New Zealand for consumers; it has also allowed Emirates to offer New Zealand consumers alternative gateways to Dubai and beyond including more travel options to the MENA Region and Europe. The Original MCA has enabled Emirates to access high-yielding New Zealand and Australian domestic corporate and government travellers, particularly through the Qantas Frequent Flyer (**QFF**) Program. This will continue under the Restated MCA.

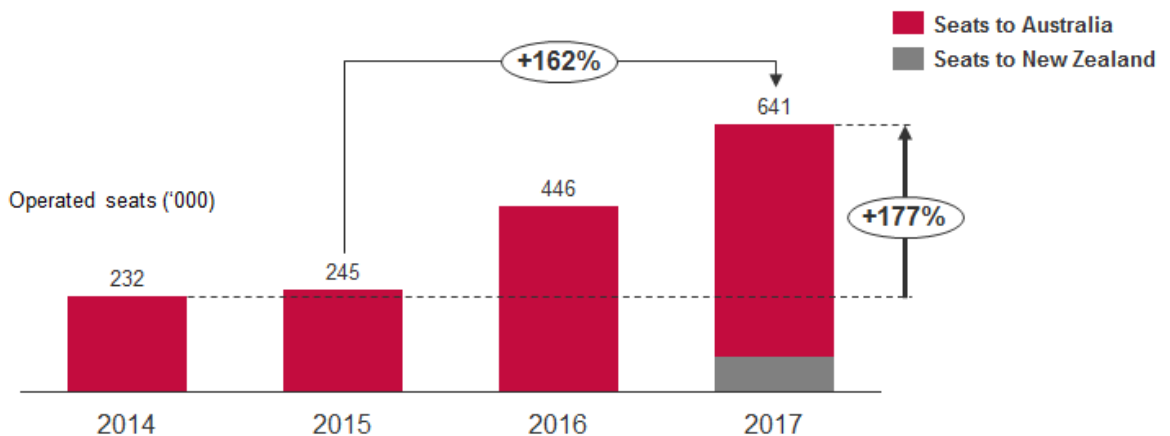
For Qantas, the Proposed Conduct similarly remains an integral part of its international strategy. The relationship with Emirates has assisted, and will continue to assist, Qantas' international business to grow in a sustainable way, in a global market in which Qantas remains disadvantaged as an end-of-

line carrier relative to full service carriers based at mid-point hubs such as Singapore, Hong Kong, the Middle East or China.

The Proposed Conduct needs to be considered in the context of significant expansion of capacity to and from Australasia. Many carriers based in the Asia Pacific region continue to rapidly expand. The Asia Pacific region is expecting more aircraft deliveries than any other part of the world, with 403 aircraft due in the remainder of 2017.¹⁴ The significant increase in direct capacity from Asia to New Zealand is considered further below. At the same time, Middle Eastern airlines have rapidly expanded capacity to and from Australasia. Between 2012 and 2017, Middle Eastern airlines have doubled in size in New Zealand and Australia, growing from 1.8 million seats to the region in 2012 to 3.6 million in 2017.¹⁵ It has been predicted that by 2020 Middle Eastern airlines could create a presence in New Zealand and Australia equivalent to two Singapore Airlines, an operation which established itself over many decades.¹⁶

Qatar Airways, which competes directly with Qantas and Emirates and promotes itself as ‘the fastest growing airline in the world,’¹⁷ has continued its aggressive network expansion globally, with the carrier launching a large number of new global destinations in 2017 and 2018 and entering an historic agreement with Boeing to purchase up to 100 aircraft comprising 30 Boeing 787-9 and 777-300ER aircraft and up to a further 60 Boeing 737 MAX 8 aircraft.¹⁸ As set out in Figure 1 below, between 2014 and 2017, Qatar Airways increased capacity to New Zealand/Australia by 177 per cent through introduction of a the launch of a daily direct service between Auckland and Doha, a daily direct A350 service from Adelaide to Doha, launch of direct A380 services between Sydney and Doha and the upgrade of services between Melbourne and Doha to an A380 operation. From February 2018, Qatar Airways intends to launch new services from Canberra to Doha via Sydney.¹⁹

**Figure 1: Qatar Airways Capacity Increases (Operated Seats)
From Doha to New Zealand and Australia, 2014-2017**



Qantas does not have the capital or geographic advantage required to grow sustainably and compete effectively with such mid-point carriers on its own. In authorising the Original MCA in 2013, the ACCC

¹⁴ CAPA analysis cited in *Travel Daily*, 15 June 2017.

¹⁵ CAPA, 20 January 2017. Available: <https://centreforaviation.com/insights/analysis/gulf-airlines-in-australianew-zealand-2017-could-surpass-2016s-record-growth-321532>

¹⁶ CAPA, 20 January 2017. Available: CAPA- <https://centreforaviation.com/insights/analysis/gulf-airlines-in-australianew-zealand-2017-could-surpass-2016s-record-growth-321532>

¹⁷ Qatar Airways website. Available: <https://www.qatarairways.com/en/about-qatar-airways.html>

¹⁸ Qatar Airways media release ‘2016/17 Annual report shows airline’s annual revenue has increased by 10.4 per cent’ 11 June 2017. Available: <https://www.qatarairways.com/en/press-releases/2017/June/qatar-airways-releases-annual-results-revealing-a-21-7-per-cent-.html?activeTag=Press-releases>

¹⁹ ‘Qatar Airways plans Canberra flights’, 19 November 2016. Available: <https://www.ausbt.com.au/qatar-airways-plans-doha-canberra-flights-for-2017-18> ‘Qatar promises Canberra route,’ in *Sunday Canberra Times*, 25 June 2017. ‘QR fast tracking’ in *Travel Daily* 4 July 2017.

acknowledged that as an end-of-line carrier on routes between Australasia and the UK/Europe, Qantas did not have access to the same scale and density advantages that are available to carriers based in the Middle East and China, as a result of their ability to aggregate passenger traffic to and from Europe, North Africa and North East Asia.²⁰ Similarly, on balance, the ACCC considered that Qantas was likely to be at a competitive disadvantage in its operations between Australia and the UK/Europe compared to mid-point carriers based in the Middle East and Asia, as a result of its inability to achieve the same economies of scale and density and its comparatively higher labour costs.²¹ The Ministry similarly acknowledged these factors in its consideration.²²

Such analysis remains accurate today. End-of-line carriers have continued to struggle on routes between Australasia and the UK/Europe. Since Virgin Atlantic's withdrawal from the route in May 2014, only British Airways and Qantas currently remain as end-of-line carriers competing against more than 15 mid-point carriers. As set out further below, in the absence of the Proposed Conduct, [START QF CONFIDENTIAL [REDACTED] END QF CONFIDENTIAL]

In this context, the Proposed Conduct remains a strategic imperative for both Emirates and Qantas. With global networks now more complementary than ever, both airlines can leverage each other's network strengths to deliver significant public benefits through a shared goal of premium customer service, while also growing sustainably.

3.3 Counterfactual

The public benefits delivered through the alliance would not be possible in the counterfactual.

Without authorisation of the Proposed Conduct, there would be no commercial agreement between Qantas and Emirates or, at best, a vastly diminished arm's length codeshare. In the context of authorising other alliances, the Commission has acknowledged that, absent coordination, two airlines offering complementary services do not have an incentive to take into account the effect of their product and service decisions on demand for the other airline's products and services, leading to less convenient connections for passengers, less attractive customer reward programs and/or lower levels of provision of ground services such as airport lounges and check-in services.²³

Critically, in the counterfactual scenario applicable to the Proposed Conduct, the Applicants would lack any ability or incentive to share broad access to each other's network and inventory, resulting in diminished booking options for consumers. The level of access and support each carrier provides the other would be severely reduced or removed entirely under an arm's length codeshare or interline relationship. Without the ability to coordinate on price, network and capacity decisions, the carriers would not be incentivised to provide connectivity and access to different origin-destination combinations.

The alliance provides the Applicants with sales support that keeps services sustainable. As detailed further below, in the absence of the ability to codeshare and jointly sell with Qantas, Emirates would have been at a competitive disadvantage with only a single daily service from each of Sydney, Melbourne and Brisbane on the frequency-sensitive Tasman market. Without the alliance, Emirates would have accelerated the withdrawal of its services between Australia and Auckland [START EK CONFIDENTIAL [REDACTED] END EK CONFIDENTIAL] In a future without the sales support delivered as part of the Proposed Conduct, Emirates would have also considered reducing its capacity between Dubai and Australia.

Furthermore, in the counterfactual scenario, there would be no or significantly reduced flexibility and scope for respective frequent flyer members to earn and redeem their points on both carriers – something which, as set out in more detail below, is highly valued by millions of members. In the

²⁰ ACCC Final Determination (2013), para 179.

²¹ Ibid, para 183.

²² MOT Briefing Paper, paras 45-54.

²³ For example, see ACCC Final Determination in respect of Application for Authorisation lodged by Singapore Airlines Limited and Deutsche Lufthansa AG in respect of a Joint Venture Framework Agreement, 18 November 2016, para 33.

absence of the Proposed Conduct, the carriers' earning and redemption rules would be geared to incentivise members to travel on the host program's carrier code as much as possible. By contrast, with the Proposed Conduct, there is an incentive to enable host program members to access the other carriers' network and inventory at an equal level.

Without the Proposed Conduct, there would be no incentive for Qantas and Emirates to work together, unlocking network connectivity, customer innovations and product initiatives which greatly benefit the customer. As set out further below, Qantas and Emirates intend to continue to work together to deliver new and improved customer benefits. Absent an alliance, there is no incentive for the carriers to work this deeply, meaning less collaboration on product innovation and customer service improvements.

In the absence of the Proposed Conduct, **[START QF CONFIDENTIAL** [REDACTED]
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By contrast to the consumer detriment that would be caused in the counterfactual scenario, the coordination of capacity, network and scheduling decisions under the Original MCA has been proven to deliver real and material public benefits to consumers in New Zealand, Australia and other regions. The Restated MCA will continue to provide a deep level of integration to closely align the commercial incentives of Emirates and Qantas. This will ensure that each airline treats the other's customers as if they were their own and allows the airlines to provide the greatest benefits to passengers in terms of product and seamless service.

4 NO ADVERSE IMPACT ON CONSUMERS

4.1 The Proposed Conduct Will Not Cause Any Adverse Impact on Consumers

The Proposed Conduct is inherently pro-competitive because it facilitates public benefits that would not occur in the counterfactual future.

The Restated MCA will not result in any adverse impact to consumers in circumstances where the Applicants will:

- operate highly complementary networks with very limited overlap; and
- continue to be disciplined by:
 - a number of existing fierce competitors already providing strong and effective constraints within highly competitive markets; and
 - the prospect of new entry and expansion.

4.2 Limited Overlap

From March 2018, the direct operating overlaps between Qantas and Emirates will be limited to:

- Sydney-Christchurch;
- Melbourne-Singapore and Brisbane-Singapore; and
- Sydney-Bangkok.

Although the network changes outlined above remove the direct operating overlap between Qantas and Emirates in respect of services to the UK/Europe via Dubai, the Applicants will still overlap indirectly (flying via different midpoints) to the UK/Europe and wish to continue to coordinate on these routes. However, consistent with the Ministry's approach in 2013, the continuation of the alliance will not have any effect on competition on routes between New Zealand and Asia²⁴ or between New Zealand and the UK/Europe²⁵ and such markets are not considered further in this Application.

The focus of this Application is the impact of the Proposed Conduct on the Tasman. As set out below, the Applicants will deliver public benefits while still remaining constrained by intense competition. The Proposed Conduct will accordingly not result in any adverse impact to consumers.

4.3 Overview of Qantas and Emirates Services on the Tasman

The Tasman remains Australia's busiest route in terms of direct capacity and frequency of service. In addition to Qantas, Jetstar and Emirates, other carriers serving the Tasman include Virgin Australia, Air New Zealand, Singapore Airlines, LATAM, China Airlines, Air Asia X and Philippine Airlines. At the time of authorisation in 2013, eight airlines in total operated on the Tasman compared to the ten operating at present.

In 2016, New Zealand remained the source of the highest inbound visitor arrivals to Australia.²⁶ All major carriers expanded their services between New Zealand and Australia in 2016. In addition to Singapore Airlines' inaugural Wellington-Canberra service (commencing in September 2016), two new fifth freedom services were introduced in 2016: Air Asia X's Auckland-Gold Coast-Kuala Lumpur service and Philippine Airlines' Auckland-Cairns-Manilla service.²⁷

There has been a year-on-year increase in seats deployed by all airlines across the Tasman since the start of the alliance, as detailed in Table 4 below. In the 12 months ending March 2017, airlines deployed 23 per cent more seats than in the 12 month period ending March 2013, which is the year prior to the alliance.

Table 4: Trans-Tasman Capacity (All Airlines)

12 months ending	Total Seats	Year on Year Growth
March 2013	8,271,268	-
March 2014	8,538,190	3.2%
March 2015	8,790,787	3.0%
March 2016	9,452,238	7.5%
March 2017	10,183,412	7.7%

Source: *Innovata schedules (diio)*

The Qantas Group currently operates services between:

²⁴ Ministry of Transport Briefing to the Minister of Transport on the Qantas/Emirates Master Coordination Agreement, 2 April 2013 (**MOT Briefing Paper**), Available: <http://www.transport.govt.nz/air/internationalairservices/internationalaircarriagecompetition/qantasemiratescoordinationagreeme nt/> para 139.

²⁵ MOT Briefing Paper, para 112.

²⁶ Tourism Australia Market Profile 2017 – New Zealand. Available: <http://www.tourism.australia.com/content/dam/assets/document/1/6/x/g/o/2002920.pdf>

²⁷ Ibid.

- Auckland and Sydney/Melbourne/Brisbane (and, seasonally, Perth);
- Wellington and Sydney/Melbourne;
- Queenstown and Sydney (and, seasonally, Brisbane); and
- Christchurch and Sydney/Melbourne/Brisbane.

Jetstar Airways operates services between:

- Auckland and Sydney/Melbourne/Gold Coast;
- Christchurch and Sydney/Melbourne/Gold Coast;
- Wellington and Gold Coast; and
- Queenstown and Sydney/Melbourne/Gold Coast.

In the period from April 2013-March 2017, Qantas and Jetstar have significantly increased seat capacity on routes to Auckland (by 6,653 seats), Christchurch (by 131,586 seats), Wellington (by 140,100 seats) and Queenstown (by 211,890 seats).

Emirates currently operates on the Tasman as a fifth freedom carrier, with services from Dubai to Auckland (via Melbourne or Brisbane) and from Dubai to Christchurch (via Sydney). Emirates does not operate to Wellington or Queenstown.

In March 2016, Emirates commenced direct services between Auckland and Dubai and, as a result, suspended its flights between Auckland and Sydney from 13 July 2017. This Auckland-Sydney capacity was replaced with twice-daily Qantas A330 services. This better matched capacity to demand and was an example of the flexibility and efficiency in aircraft deployment that the alliance enables. The new Qantas services increased frequencies from 32 to 35 return flights per week, offered through five daily return flights.²⁸

The routes where Qantas/Jetstar and Emirates have overlapped since 2013 have been Auckland-Sydney (until July 2017), Auckland-Melbourne, Auckland-Brisbane and Christchurch-Sydney (**Overlapping Tasman Routes**).

4.4 Vigorous and Effective Competitors

The Tasman is characterised by rivalrous behaviour that will not in any way be diminished or restricted as a result of the Proposed Conduct. To the contrary, it is expected that competitors, particularly Air New Zealand and Virgin Australia, will continue the pro-competitive initiatives that have characterised their response to the Qantas/Emirates alliance.

Intense price competition has increased since the Original MCA was authorised in 2013. The increase in the number of foreign airlines flying to New Zealand and Australia will continue to spur passenger growth and result in further cuts to international airfares, which have decreased by 30 per cent over the past decade.²⁹ Airfare purchasing patterns show concentration at the lower end of the tariff structure, as airlines compete vigorously within markets characterised by excess capacity. This means that more consumers have been choosing lower yielding fare types, such as discount economy class fares instead of business class fares. Capacity being deployed well in advance of demand has also resulted in lower yielding 'off peak' pricing being offered on a longer basis each year, in place of higher yielding 'peak' season airfares which are now more likely to be purchased only at more limited times of exceptionally high demand.

²⁸ Two a day on the new A330 aircraft and three a day on the Boeing 737 aircraft.

²⁹ 'Australia braces for new Asian tourism boom,' in *Weekend Australian Financial Review*, 8 July 2017, p 21.

These pricing trends show the effectiveness of competitive constraints faced by Qantas and Emirates. The alliance has not in any way provided the Applicants with an ability to artificially increase airfares (or restrict capacity). In fact, the opposite is the case. **[START QF CONFIDENTIAL** [REDACTED]

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The alliance has not enabled Qantas or Emirates to significantly increase market share on any route or market.

4.5 Material Changes in Market Conditions

Since the Original MCA was implemented, there has been a fundamental shift in demand dynamics on the Tasman as more carriers have introduced direct services to and from New Zealand. For example:

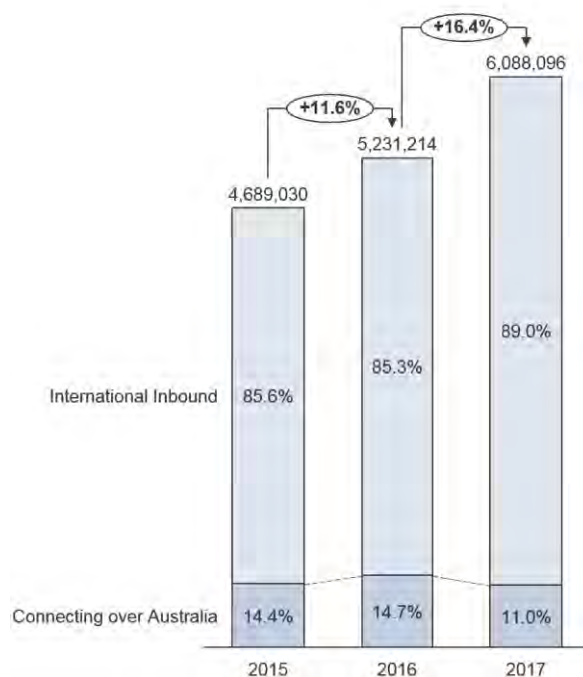
- as mentioned above, in March 2016, Emirates launched direct services from Auckland to Dubai;

- in December 2016, Tianjin Airlines commenced Auckland-Chongqing-Tianjin services operating three return services per week;³⁰
- in December 2016, Hainan Airlines launched Auckland-Shenzhen-Xi'an services operating three weekly A330 return services;³¹ and
- in February 2017, Qatar Airways launched direct services between Auckland and Doha.

These new direct services from New Zealand to the Middle East and Asia have collectively reduced the volume of connecting passengers travelling between New Zealand and Australia. For example, Qatar Airways has stated that performance of the Auckland-Doha route has exceeded expectations, with particularly strong demand from New Zealand travellers for the premium cabins.³² Between May and September 2017, Qatar Airways has been offering all passengers a night in Doha at a four or five star hotel (depending on their class of travel) as an added incentive to switch to the direct flights. It has established an office in Auckland to deal closely with travel agents as it further builds its customer base.

The downward trend in the numbers of long haul connecting passengers travelling to New Zealand via Australia is reflected in Figure 5 below. There has been a 13 per cent reduction in connecting traffic, equating to a 20 per cent reduction in connecting traffic to Auckland specifically. Qantas and Emirates expect this trend to continue as carriers add more direct services to and from New Zealand in the future. Emirates itself is currently evaluating a potential second daily direct service between Auckland and Dubai and, if this materialises, it expects connecting traffic to and from New Zealand via Australia to reduce further.

Figure 5: Origin-Destination Traffic to New Zealand from Rest of World (Excluding Australia)



Source: DDS

³⁰ Virgin Australia and Others submission to Commission in respect of an Alliance Framework Agreement, 17 February 2017, p 12. Available: <http://registers.acc.gov.au/content/index.phtml/itemId/1201183/fromItemId/278039/display/application>

³¹Ibid.

³² Adam Radwanski, Qatar Airways Senior Australasia Manager cited in Bradley, G., 'Full throttle for Qatar Airways,' in *New Zealand Herald*, 24 July 2017.

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This significant shift in passengers to non-stop New Zealand services has negatively impacted Emirates' trans-Tasman flights. As a consequence, this has resulted in the requirement for Emirates to terminate its Sydney-Auckland flight sector in July 2017, with capacity replaced by Qantas' A330 aircraft. In March 2018, Emirates will also cease its services from Brisbane and Melbourne to Auckland. Again, this is due to declining passenger numbers [START EK CONFIDENTIAL [REDACTED] END EK CONFIDENTIAL]

The challenges of excess capacity are compounded by increasing airport charges and passenger taxes on the Tasman routes. In 2016, the taxes applicable to inbound flights to New Zealand

increased by NZD\$18.21 and outbound taxes increased by \$3.37 while from 1 July 2017 the departure tax from Australia increased another \$5 to \$60 per passenger.

To stay relevant and best respond to passenger preferences, it is critical that the Qantas/Emirates alliance evolves to reflect these material changes in market conditions. The fundamental shift in demand dynamics has led Emirates to adjust its network and from March 2018 it will cease operating point-to-point services between Auckland and Australia. Without the alliance, Emirates would have accelerated the withdrawal of these services [START EK CONFIDENTIAL ██████████ ██████████ END EK CONFIDENTIAL] In the absence of the ability to codeshare and jointly sell with Qantas going forward, Emirates would remain at a competitive disadvantage with only a single daily service on the frequency-sensitive Tasman market.

As set out further below, now that Emirates will cease flying to Auckland, Qantas will substantially backfill that capacity by commencing increased daily frequencies to Auckland from Brisbane and Melbourne which will provide improved schedule choice and overall connectivity for point-to-point passengers. In addition, Qantas will upgauge some services from both Melbourne and Brisbane to Auckland, with wide-bodied A330 aircraft operating on both routes.

4.6 Effective Competitive Constraints

Continuing the Proposed Conduct in respect of the Tasman will not produce any competitive detriment, particularly given that the market remains one of the most competitive in the world.³⁵

Annexure F contains data in relation to international air passenger services between:

- New Zealand and Australia (see Table 1);
- New Zealand and Australia in respect of business purpose travellers (see Table 2);
- New Zealand and Australia in respect of leisure purpose travellers (see Table 3); and
- each city pair of Auckland-Auckland, Auckland-Melbourne, Auckland-Brisbane and Christchurch-Sydney (see Tables 4-7).

In May 2017, the Qantas Group (including Qantas and Jetstar) had a share of 31.6 per cent and Emirates had a share of 13.2 per cent of all passenger services between New Zealand and Australia, giving a combined total of 44.8 per cent. Air New Zealand had a share of 33.0 per cent and Virgin Australia had a share of 14.5 per cent, giving a combined total of 47.55 per cent.

Qantas and Emirates will clearly remain constrained by direct, aggressive competitors on the highly contested Tasman. Virgin Australia and Air New Zealand operate under a revenue sharing alliance authorised by the Minister and the ACCC.³⁶ In 2016, Air New Zealand was the airline most visitors use to travel from New Zealand to Australia³⁷ and is a fierce competitor of Qantas and Emirates, its key strength being in the delivery of traffic from its regional network in New Zealand onto the Tasman. In response to Qantas' introduction of increased frequencies of service between Auckland and Sydney from July 2017, Air New Zealand CEO Christopher Luxon stated that his airline monitored Qantas as its 'strategic competitor' and was committed to a competitive response, saying that:

"The upshot for us is that we really back ourselves on that Tasman market – it's a place we know well, it's what started our airline so rest assured we're going to hold our ground really strongly."³⁸

Air New Zealand has further plans to boost its presence in Australia, with a premium passenger

³⁵ Bradley, Grant 'Shake-up on transtasman route' in *New Zealand Herald*, 19 June 2017.

³⁶ ACCC Determination for applications A91227 and A91228 lodged by Virgin Australia and Air New Zealand (2010).

³⁷ Tourism Australia Market Profile 2017 – New Zealand. Available:

<http://www.tourism.australia.com/content/dam/assets/document/1/6/x/g/o/2002920.pdf>

³⁸ Air New Zealand CEO Christopher Luxon cited in Bradley, Grant 'Shake-up on transtasman route' in *New Zealand Herald*, 19 June 2017.

lounge planned at Perth's international terminal, expected to open by the end of 2017. The airline has also announced plans to operate its wide-body Boeing 787-900 to Adelaide from late October 2017, which will offer premier travel options for travel to New Zealand and beyond.³⁹

As part of its alliance with Air New Zealand, Virgin Australia increased services on the Christchurch route with up to three weekly return services from Sydney during peak periods and up to two return services each week from Brisbane and Melbourne. It is reported that the alliance's network teams continue to look at opportunities to expand its footprint across the Tasman.⁴⁰

In addition to existing operators, new entry and expansion is made likely and accessible by the liberal and reciprocal 'Open Skies' agreement between Australia and New Zealand. As the Ministry noted in 2013, barriers to entry on the Tasman are low, with a large number of airlines having the ability to operate on the Tasman.⁴¹ [START QF CONFIDENTIAL] [REDACTED] [REDACTED] END QF CONFIDENTIAL]

The New Zealand Government's International Air Transport Policy announced on 30 August 2012 promotes far-reaching liberalisation under reciprocal open skies agreements, recognising the vital importance to the New Zealand economy of increasing international aviation connectivity to the rest of the world. Under the Policy, New Zealand pursues reciprocal 'Open Skies' agreements (except where they are adverse to the country's national interest). Under the reciprocal 'Open Skies' approach, New Zealand will seek to put in place agreements that provide for:

- no restrictions on routes, capacity or traffic rights (including seventh freedom and cabotage – eighth and ninth freedom – rights);
- no regulation of tariffs, except to prevent anticompetitive behaviour;
- liberal arrangements for granting operating authorisations following receipt of designation; and
- provisions facilitating regulatory cooperation by civil aviation authorities on matters such as trade in aviation goods and services – which has potential to increase opportunities for air freight transportation services.

Similarly, Australia's approach to international aviation has resulted in increasingly liberal arrangements at the other 'end of the line' as well as intermediate points in Asia and the MENA Region. The Australian Government is currently in talks with a range of other countries to enter into more liberalised air services agreements,⁴² making it even more likely that the Applicants will remain constrained by the prospect of new entry and expansion (including by low cost carriers).

4.7 No coordinated effects

The Restated MCA does not make coordinated effects between the Qantas/Emirates alliance and the Air New Zealand/Virgin Australia alliance any more likely to occur. The potential for sustainable anti-competitive coordination is greatest where:

- firms have the ability and incentive to settle on terms (not necessarily by communication or active coordination) that are profitable for all;
- firms can detect deviations from the consensus;
- the threat of retaliation from other firms involved is sufficiently costly to act as a deterrent to deviation; and

³⁹ Tourism Australia Market Profile 2017 – New Zealand. Available:

<http://www.tourism.australia.com/content/dam/assets/document/1/6/x/g/o/2002920.pdf>

⁴⁰ Virgin Australia Annual Report 2016, p 26.

⁴¹ MOT Briefing Paper, para 103.

⁴² 'Australia braces for new Asian tourism boom,' in *Weekend Australian Financial Review*, 8 July 2017, p 21.

- the consensus is not undermined by competitive constraints.

As was the case in 2013, such conditions will not arise on the Tasman. To the contrary, the ability for carriers to engage in coordinated conduct is lessened or eliminated by:

- the highly competitive and dynamic nature of the global aviation industry within which the Proposed Conduct will take place;
- low barriers to entry and expansion on the Tasman described above, which encourage independent firms to enter and undermine any coordination and reduce the ability for any concerted attempts to raise prices or lower service quality;
- the various carriers within each alliance having different cost bases and business models, which means that they are less likely to have aligned interests. All the relevant carriers within the two alliances have vastly different characteristics and geopolitical objectives. Some are full service airlines with relevant network, frequency and scheduling considerations driving their operations and local distribution models via travel agents (Qantas, Emirates and Air New Zealand), another is a low cost carrier with a particular focus on leisure passengers (Jetstar) and one has an evolving business model with a continuing focus on a 'virtual' rather than operational international network (Virgin Australia);
- the degree of product differentiation, which means that there is less likely to be any stagnation or false comfort that service and price competition can deteriorate through a collective exercise of market power, without repercussion;
- the price sensitivity of the majority of Tasman passengers which means that all carriers lack the ability – whether individually or in concert – to raise prices without suffering significantly reduced load factors; and
- continuing substantial excess capacity (notwithstanding the withdrawal of Emirates from Auckland), meaning that either alliance would have the opportunity to quickly absorb extra passengers in the event of a price rise by another, which removes the 'comfort' otherwise coordinating firms might have.

4.8 A Tasman Capacity Condition Is Unnecessary and Inappropriate

Despite the intensity of competition on the Tasman, in 2013 the ACCC held the view that the Original MCA was likely to increase the ability and incentive of the parties to unilaterally reduce or limit growth in capacity, resulting in higher airfares. The ACCC considered that there were not sufficient competitive constraints to prevent such an outcome.⁴³ The Applicants did not, and do not, accept this view. As set out above, the Tasman comprises highly competitive routes with low barriers to entry and ongoing excess capacity.

The fundamental changes in Tasman capacity and demand that have occurred in recent years, including the addition of new direct capacity by Emirates, provided scope for the Applicants to seek to vary the capacity condition imposed by the Commission in 2013. While the Applicants have not sought to do so, continued compliance with the condition has limited critical operational flexibility in a market characterised by deeply seasonal demand and [START CONFIDENTIAL ██████████
██████████ END CONFIDENTIAL]

Going forward, the Applicants do not consider an ongoing capacity condition to be necessary or appropriate, particularly in circumstances where the Proposed Conduct is enabling Qantas to substantially backfill Emirates capacity that will otherwise be removed from Auckland.

⁴³ ACCC Final Determination (2013), para 509.

A condition serves no effective or efficient regulatory purpose where, in any event and regardless of the Proposed Conduct, the Qantas Group remains strategically committed to serving the Tasman. The Tasman is the largest corporate international market to and from Australia and is an integral part of the Qantas Group's corporate proposition in both Australia and New Zealand. Irrespective of the Proposed Conduct, the nature of passenger demand on the Tasman means that the Qantas Group will be naturally incentivised to provide high frequency services with capacity tailored to meet, rather than in any way restrict, demand.

5 FREIGHT SERVICES

5.1 Overview

For the purposes of this Application, it is also relevant to assess the impact of the Proposed Conduct on the market for freight services between Australia and New Zealand. This market is highly competitive with numerous operators and routing options and low barriers to entry, as described further below.

Like other freight markets, the Tasman is characterised by substantial excess capacity, meaning that consignments are vigorously contested and prices are driven down. Providers of air freight services are generally price takers in the market.

Excess capacity has led to yield deterioration in the international freight market. Since around 2011 there has been a 7 per cent decline in revenue despite increased volumes being carried.⁴⁴ Global capacity grew 7 per cent in the last two years amidst weak GDP growth, leading to an industry average load factor of only 67 per cent⁴⁵ and the industry is likely to remain characterised by excess capacity. These trends will not change as a result of the continued coordination of freight operations by the Applicants.

In addition to freight carried in belly space in passenger operations (including Jetstar operations), Qantas operates the following dedicated freighter services that include Tasman routings⁴⁶:

- Boeing 767 aircraft: Sydney-Auckland on a five weekly basis, Auckland-Christchurch-Sydney on a five weekly basis and Sydney-Hong Kong-Sydney on a weekly basis; and
- Boeing 747F aircraft:
 - outbound: Sydney-Bangkok-Shanghai-Anchorage-New York on a weekly basis, Sydney-Chongqing-Shanghai-Anchorage-Chicago on a twice weekly basis, Sydney-Shanghai-Anchorage-New York on a weekly basis; and
 - inbound: New York-Chicago-Honolulu-Sydney on a twice weekly basis, Chicago-Los Angeles-Honolulu-Auckland-Sydney on a weekly basis and Chicago-Dallas-Los Angeles-Sydney on a weekly basis.

Emirates carries freight in the belly-space of its passenger operations to and from New Zealand.

Market share data is set out in Annexure G. The Applicants will remain constrained by the significant number of carriers operating services from New Zealand via various midpoint hubs. In addition, as was the case in 2013, barriers to entry and expansion in the Tasman freight market are low. Freight capacity tends to quickly and closely follow demand. Freight services are often introduced or cancelled on a week to week or day to day basis depending on load factors. Freight capacity, particularly dedicated freight capacity, tends to quickly and closely follow demand. This means that freight services are often either introduced or cancelled on a week to week or day to day basis

⁴⁴ IATA, 'Economic performance of the airline industry,' June 2017.

⁴⁵ IATA, 'Cargo Chart book,' Q2 2017.

⁴⁶ Schedule subject to change.

depending on load factors. Given that most dedicated freight services operate at non-peak time slots, obtaining landing rights is generally not an issue for new or returning operators at most ports.

This means that the Applicants will continue to be constrained by the prospect of new entry and expansion. No competitive detriment will arise from continuation of the Proposed Conduct.

6 PUBLIC BENEFITS

6.1 Overview

Since authorisation of the Original MCA, Qantas and Emirates have together delivered real and substantial benefits to New Zealand consumers including:

- improving connectivity and schedule choice over an expanded network, allowing passengers and freight customers to seamlessly travel or ship goods from New Zealand and Australia to Asia, the UK/Europe and MENA Region;
- offering reciprocal benefits for the millions of members of both parties' frequent flyer programs, including significant earning and redemption opportunities across the combined network;
- enabling sustainable operation of Qantas' international network;
- facilitating Emirates' expansion of direct non-stop services from New Zealand to the Middle East;
- providing world-class customer experiences and product innovation;
- provoking pro-competitive responses from rivals; and
- increasing tourism and promotion of international trade and business.

These public benefits will continue under the Restated MCA, at the same time as new benefits are generated. Further detail is provided below.

7 NEW AND CONTINUED PUBLIC BENEFITS

7.1 Expanded network, improved connectivity and greater schedule choice

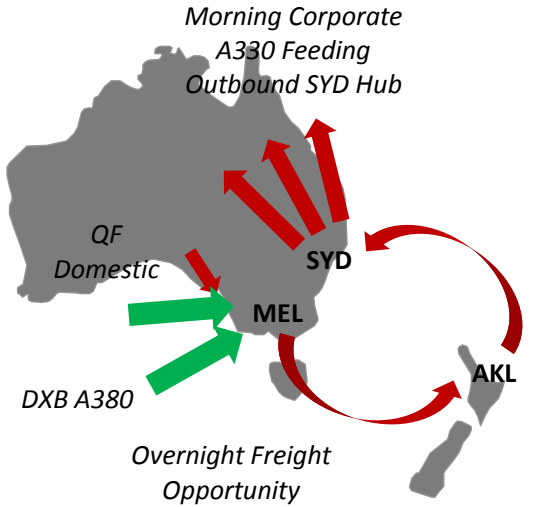
When it was implemented in 2013, the Proposed Conduct resulted in a significant expansion of destinations and frequencies of service that can be offered to Qantas and Emirates customers. It provided opportunities for customers to travel under a single airline code between points of origin and destination that were previously unavailable on either party's code. Today, more than 2,000 origin/destination combinations are offered over the combined networks of Qantas and Emirates.

These origin/destination combinations are the product of the 60 points in New Zealand and Australia served by Qantas but not Emirates (including Wellington and Queenstown) and the 56 points in Europe and the MENA Region that are served by Emirates but not Qantas (including Kuwait, Doha, Manchester, Glasgow, Newcastle, Dublin, Paris, Madrid, Barcelona, Hamburg, Copenhagen, Moscow, Rome and Athens). The benefits of such network expansion were recognised by the Commission in 2013.⁴⁷ Emirates has continued to expand its network to Europe and the MENA Region since 2013 – adding services, for example, to Bologna, Oslo, Brussels, Budapest, Stockholm, Conakry and Zagreb.

⁴⁷ ACCC Final Determination (2013), para 205.

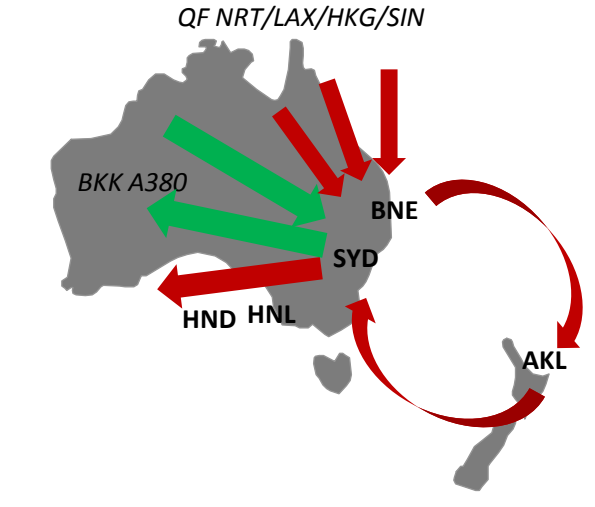
Figure 8: Proposed New Qantas Services to Auckland

MEL-AKL-SYD A330



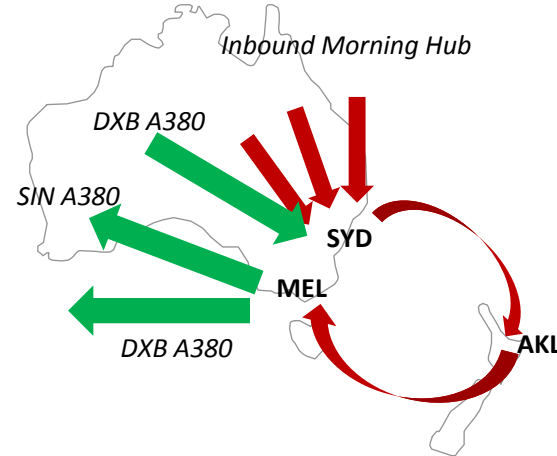
Sector	Depart	Arrive
MEL-AKL	23:35	05:10
AKL-SYD	08:45	10:25

BNE-AKL-SYD A330



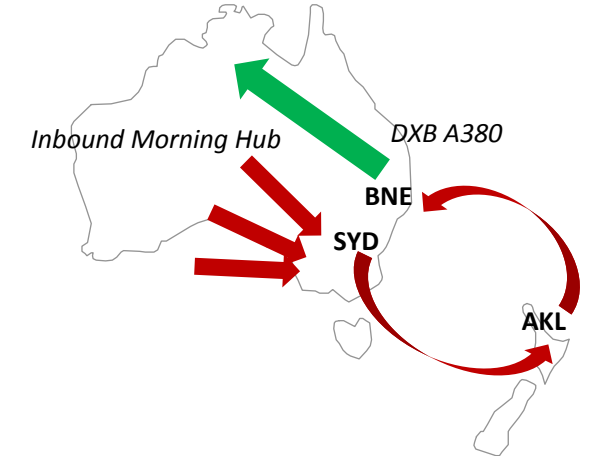
Sector	Depart	Arrive
BNE-AKL	08:45	13:55
AKL-SYD	15:15	16:55

SYD-AKL-MEL A330



Sector	Depart	Arrive
SYD-AKL	11:45	16:50
AKL-MEL	18:15	20:25

SYD-AKL-BNE A330



Sector	Depart	Arrive
SYD-AKL	09:55	15:00
AKL-BNE	16:25	18:20

Qantas will also upgauge some services from both Melbourne and Brisbane to Auckland, with wide-bodied A330 aircraft operating on both routes, connecting to Qantas' London services (via Perth or

Singapore) and Emirates' services between Australia and Dubai. The timing of Qantas' services will include a new opportunity for freight be carried on a wide-body aircraft from Melbourne to Auckland.

The reconfigured Tasman flying will continue to offer significant public benefits to Australian and New Zealand consumers. Emirates will continue to operate A380 services between Sydney and Christchurch and its customers will still benefit from the alliance in terms of being able to fly on Qantas operated flights on other Tasman routes, earn and redeem frequent flyer points on Qantas operated flights and access and use Qantas lounges.

The new services from Auckland to Melbourne will connect with Qantas' new Melbourne-Perth-London and Melbourne-Singapore-London services, which are replacing the current operations to London via Dubai. Similarly, the Auckland-Brisbane services will connect to Qantas' new Brisbane-Singapore-London services, providing New Zealand consumers with new ways of travelling to Singapore or the UK/Europe. The new services from Auckland will also connect with Emirates' operations from Australia to Dubai and beyond, including an additional daily non-stop frequency between Brisbane and Dubai from December 2017 and between Sydney and Dubai from March 2018.

These changes will give New Zealand customers more options to travel on either airline through multiple hubs to the UK/Europe or Asia, while still experiencing benefits such as reciprocal frequent flyer benefits which are only made possible through the Proposed Conduct. Qantas passengers will be able to fly on Qantas operated services to London via Perth or Singapore, but will also be able to choose to fly with Emirates to Dubai, from where they will still be able to fly on to London or access 38 onward connections on Emirates to Europe and 28 to the MENA Region. Emirates passengers flying to Australia will have access to 60 onward connections on Qantas to destinations in domestic New Zealand and Australia.

The alliance will also increase benefits for New Zealand consumers wishing to fly to Asia via Australia. Qantas will upgauge one of its current Melbourne-Singapore services to an A380 aircraft, providing increased capacity and connectivity for passengers wishing to fly from New Zealand to Singapore and other parts of Asia, via Australia. Qantas' other Melbourne-Singapore service will increase in frequency from 3 per week to daily, to be operated by a 3-class Boeing 787 Dreamliner aircraft and 2-class A330 aircraft. Passengers will also benefit from increased spread of schedule choice between Melbourne and Singapore, with Qantas and Emirates⁴⁸ working together to make schedules more complementary by eliminating wingtip flying and offering choices of new morning and evening departures out of both ports in both directions. Qantas will also retain all of its current Brisbane-Singapore frequencies, with passengers being able to connect from Singapore to Qantas' services to London or alternatively to multiple destinations in Asia.

Qantas' new operations to Singapore are set out in Figure 9 below.

⁴⁸ Emirates' adjusted services to Singapore are subject to confirmation of slot applications in Singapore.

Figure 9: New Customer Choice Through Qantas’ New Operations Via Singapore to London



7.2 Reciprocal frequent flyer benefits

Since 2013, significantly expanded reciprocal frequent flyer benefits have been delivered to millions of QFF and Emirates Skywards members as a result of the alliance. Both QFF and Emirates Skywards members receive reciprocal benefits including (depending on membership tier) access to airport lounges, aligned additional baggage allowances, priority check-in, priority boarding and fast tracked immigration processing (where available). New benefits, such as seat selection and on-board WiFi, will also be offered to all customers, with members of both frequent flyer programs receiving preferential access, based on their respective frequent flyer tiers.

Table 6 below shows the benefits of reciprocal lounge access. Emirates passengers will, for example, continue to be able to access and use the Qantas lounge in Wellington.

Table 6: Lounge Access For Eligible* Qantas and Emirates Passengers

Qantas Lounges Available to Emirates Passengers In Locations Where Emirates Has No Lounge	Emirates Lounges Available to Qantas Passengers In Locations Where Qantas Has No Lounge
Adelaide	Dubai
Alice Springs	Bangkok
Brisbane (domestic)	Birmingham
Broome	Düsseldorf
Cairns	Frankfurt
Canberra	Glasgow

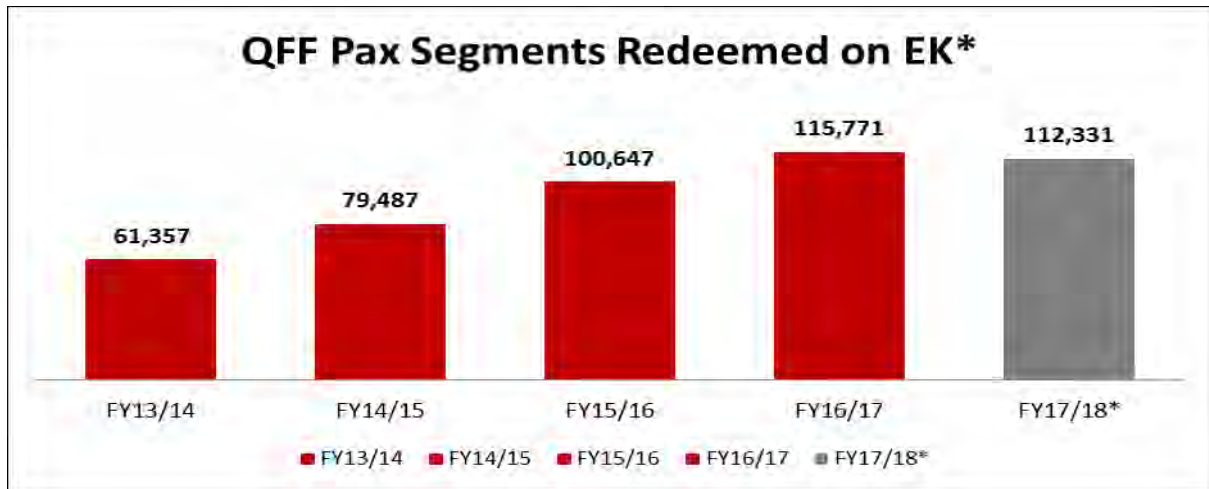
Qantas Lounges Available to Emirates Passengers In Locations Where Emirates Has No Lounge	Emirates Lounges Available to Qantas Passengers In Locations Where Qantas Has No Lounge
Coffs Harbour Darwin Devonport Emerald Gladstone Gold Coast Hobart Kalgoorlie Karratha Launceston Mackay Melbourne (domestic) Perth (domestic) Port Hedland Rockhampton Sydney (domestic) Tamworth Townsville Wellington	Hamburg Istanbul London Gatwick Manchester Milan Munich Paris Charles de Gaulle Rome Zürich

*Access depends on membership tier

One of the most significant public benefits of the Proposed Conduct is the ability for members of each carrier’s frequent flyer program to earn and redeem frequent flyer points on the other carriers’ network. **[START QF CONFIDENTIAL** [REDACTED]
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Since the first year of the Qantas/Emirates alliance, there has been a 22 per cent increase in the number of points earned by QFF members on Emirates flights (from financial year 2013/2014 to financial year 2016/2017). In addition, QFF members have increasingly chosen to redeem their points on Emirates flights – with the number of passenger segments redeemed increasing 89 per cent from financial year 2013/2014 to financial year 2016/2017.

Figure 10: QFF Passenger Segments Redeemed on Emirates Operated Flights

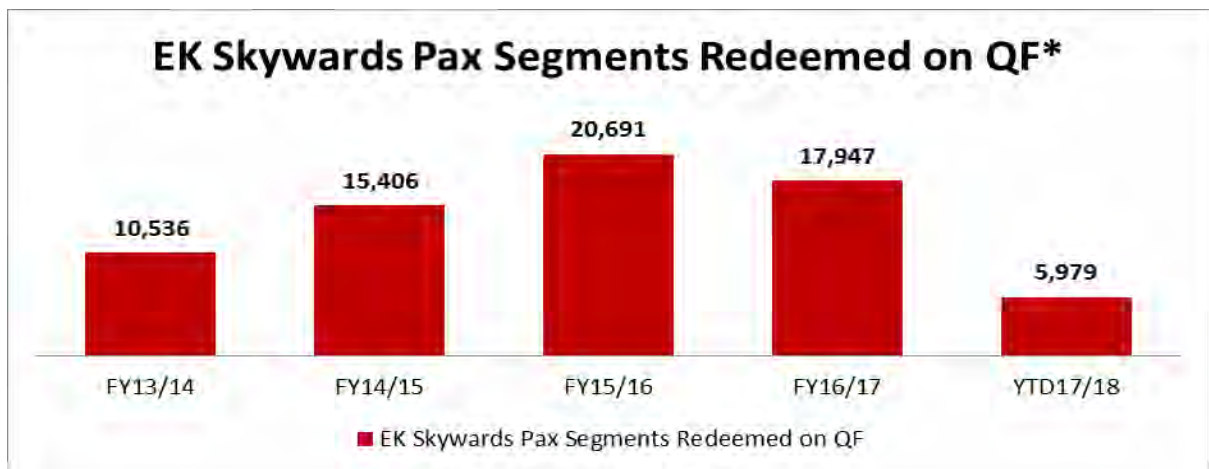


**Based on passengers travelled financial year 2013/2014-financial year 2016/2017 and YTD financial year 2017/2018 based on passengers travelled up to 31 August 2017 plus passengers currently booked for travel from 1 September 2017 up to 31 March 2018 (as at 31 August 2017)*

In financial year 2016/2017 alone, more than 115,000 passenger segments were redeemed and travelled on Emirates operated aircraft, with around 50 per cent of those redemptions being for travel in premium cabins. This reflected a 15 per cent increase versus the same period in financial year 2015/2016. In the figures available for YTD financial year 2017/2018, more than 112,000 passenger segments have been booked for travel up to March 2018. This demonstrates the value that QFF members attach to the ability to redeem their points on Emirates flights, given the extensive capacity and network options that Emirates offers.

Figure 11 below also demonstrates the increase in redemptions by Skywards members on Qantas operated flights per year since the launch of the partnership in April 2013. The partnership with Qantas has provided Skywards members a greater domestic reach in Australia, with 80 domestic routings on offer through common gateways. During the term of the partnership, over 64,000 passenger segments were redeemed and travelled on Qantas operated services, with 85 per cent of these redemptions to Australian domestic destinations. Figure 11 below showcases an increase of 70 per cent of Skywards redemptions on Qantas operated flights in financial year 2016/2017 in comparison to financial year 2013/2014, proving the demand and value to Skywards members.

Figure 11: Skywards Passenger Segments Redeemed on Qantas Operated Flights



**Based on passengers travelled financial year 2013/2014-financial year 2016/2017 and YTD financial year 2017/2018 based on passengers travelled up to 31 August 2017*

Going forward, the frequent flyer benefits will continue and be further enhanced due to the ability for members of both QFF and Skywards programs to earn and redeem on an increased number of multi-hub options for travel to and from New Zealand.⁴⁹ These frequent flyer benefits are meaningful for a significant portion of the New Zealand public. There are currently around 11.8 million members of the QFF program, of whom approximately 605,000 are resident or based in New Zealand. There are approximately 18.2 million members of the Skywards program, of whom [START EK CONFIDENTIAL ██████████ END EK CONFIDENTIAL] are resident or based in New Zealand.

As set out above, in the absence of the Proposed Conduct, there would be no or significantly reduced ability for members of each carriers' respective frequent flyer programs to earn and redeem their points on the other carrier. In the absence of a joint business, earning and redemption rules would be geared to incentivise members to travel only on the host program code as much as possible. By contrast, under the Restated MCA, there will be an incentive to open up access to host program members to the other carrier's network at an equal level.

7.3 Enabling sustainable operation of Qantas' international network to Europe

As set out earlier, the Proposed Conduct is an integral part of Qantas' international strategy. The relationship with Emirates has assisted, and will continue to assist, Qantas' international business to grow in a sustainable way, in a global market in which Qantas remains disadvantaged as an end-of-line carrier relative to full service carriers based at mid-point hubs such as Singapore, Hong Kong, the Middle East or China.

In the absence of the Proposed Conduct, [START QF CONFIDENTIAL ██████████
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As the Ministry stated in 2013, 'a competitive aviation market in Australasia benefits when Air New Zealand and Qantas are both operating in a financially sustainable manner in conjunction with a range of alliance partners to extend their geographic range and deepen the pool of passengers they have access to'⁵⁰ and 'the alliance is an important part of Qantas' strategy for ensuring the airline's viability and that this is beneficial to New Zealand as well as Australia.'⁵¹

Qantas provides important business, leisure and trade links between New Zealand and Australia. Qantas also generates direct benefits for the New Zealand economy through local employment, procurement and its support for the domestic tourism industry. The Qantas Group is a large direct employer of New Zealanders and spent \$290 million in financial year 2017 on product and services from over 400 New Zealand based suppliers.

7.4 Facilitation of capacity expansion by Emirates

The alliance has helped to facilitate expansion by Emirates. In 2016, Emirates was able to launch its non-stop Auckland-Dubai service allowing it to better serve long-haul Auckland customer demand. The popularity of this service resulted in the aircraft being upgauged to an A380 in October 2016. Emirates is also considering commencing a second daily direct Auckland to Dubai service in the short to medium term.

In addition, as anticipated in 2013, the Proposed Conduct has facilitated other capacity expansion by Emirates. As a result of increased feeder traffic from Qantas and customer demand, Emirates expedited capacity expansion such as deployment of its flagship Airbus A380 on numerous Australian services such as its Singapore-Melbourne and Bangkok-Sydney flights as well as additional non-stop capacity on Brisbane-Dubai services. In addition, Emirates was also able to expedite the

⁴⁹ Due to aeropolitical restrictions, Emirates is not able to codeshare on Qantas' services from Perth to London or Singapore to London. Skywards members are able to redeem points but unable to earn frequent flyer points on these Qantas services.

⁵⁰ MOT Briefing Paper, para 147.

⁵¹ MOT Briefing Paper, para 150.

commencement of additional frequencies to destinations in Europe and the Balkans. This also increases the choice of destinations easily reached one-stop from New Zealand and creates new source markets for New Zealand tourism.

Such facilitation of capacity increases will continue to be made possible by coordination under the Restated MCA. The re-routing of Qantas' London service via Singapore will mean that Emirates will launch an additional daily frequency from Dubai to Sydney to maintain and in fact increase the number of itineraries for passengers travelling between Sydney and the UK/Europe. As part of the Proposed Conduct, Emirates will also upgrade one of its Brisbane-Dubai services to a larger Boeing 777 aircraft.

7.5 World-class customer experiences and product innovation

The Proposed Conduct enables passengers to experience Emirates' world-class customer service, while still earning QFF points and benefitting from consistency of carrier requirements – for example, to ensure a seamless journey for customers transferring between Qantas and Emirates flights, the carriers both use a weight system for checked baggage on international flights.⁵² Qantas and Emirates teams collect and share such customer insights as part of the commitment to provide both carriers' passengers with premium customer service. Work is currently being done on a joint customer survey for Qantas and Emirates passengers so that any opportunities for further improvement in customer service can be identified.

In addition, Qantas and Emirates passengers will continue to share aligned benefits such as complimentary Chauffeur Drive for business and first class passengers on selected flights operated by Qantas or Emirates – something that would not occur without the Proposed Conduct.

As set out above, without the Proposed Conduct, there would be no incentive for the two carriers to work together on customer innovations and product initiatives which greatly benefit the customer. One initiative that Qantas and Emirates have implemented to improve the joint customer proposition is improved handling processes that apply when there is a disruption to a flight schedule. As a result of the alliance, Qantas and Emirates have committed to work together to minimise passenger inconvenience by enabling re-booking of disrupted passengers onto alternative flights offered by the other carrier. This maximises the ability of both carriers to help passengers with alternative routings in order to avoid missed connections and delays.

Absent the Proposed Conduct, there would be no incentive for Qantas to collaborate with Emirates on such product innovation and customer service improvements.

7.6 Pro-competitive response from rivals

As set out earlier, the implementation of the Proposed Conduct in 2013 elicited a significant competitive reaction from rival carriers, including more competitive fares and improved product/service offerings. In addition to the intense price competition outlined earlier, other examples of competitive behaviour include the way in which the various hubs seek to attract and retain New Zealand and Australian travellers.

Carriers operating to mid-point hubs have powerful incentives to compete for passenger traffic to and from Australasia, particularly in circumstances where government owned carriers and airports have strong links to the success of local economies. Hong Kong is an example of a hub that actively competes for transit passengers. A typical day has airlines providing almost 1,000 flights into and out of Hong Kong International Airport and connecting the city directly with 123 other cities, with close to 20 million passengers using it as a place to connect between flights each year.⁵³ The success of the hub is driven by its relationship with Cathay Pacific, which maintains strong operational and marketing ties to New Zealand and Australia.

⁵² Excluding flights to/from the Americas.

⁵³ OAG, 'Asia's hubs – dynamics of connectivity,' Available: <https://www.oag.com/asia-hubs-dynamics-of-connectivity> p 3.

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This has, in turn, provided an economic boost to New Zealand's regional areas. Increasing visitor numbers has important spill over effects within the wider New Zealand economy, particularly by generating more employment within the tourism sector. As the Ministry has previously acknowledged, 'dual destination tourism' is particularly important to New Zealand given the fact that large numbers of international visitors combine trips to Australia and New Zealand.⁵⁶

Qantas spends considerable time and funds promoting New Zealand as an inbound tourism destination for international tourists. New Zealand is featured in all marketing or tactical sales activity sponsored by Qantas' overseas sales regions. The continuation of the Proposed Conduct, as well as the pro-competitive response it will elicit from rival carriers, will enhance existing growth in visitor numbers and spending. As mentioned above, Emirates is able to complement Qantas' marketing activity by focussing on promoting New Zealand to high-yielding inbound tourism markets that Qantas is unable to serve, including **[START EK CONFIDENTIAL ██████████ ██████████ ██████████ END EK CONFIDENTIAL]** These initiatives include direct destination marketing campaigns, tactical activity to encourage visitor growth particularly during New Zealand's low season and, in 2015, the renewal of its sponsorship partnership with Emirates Team New Zealand.

The alliance will continue to result in some trade related public benefits by making it easier for foreign businesses to access New Zealand and making it easier for New Zealand exporters/importers to access destinations in the MENA Region, thereby improving access to customers/suppliers in those locations.⁵⁷ The Proposed Conduct will enable New Zealand exporters to continue to readily access the Applicants' combined network and continue to provide international trade opportunities for New Zealand.

⁵⁶ See for example 'Analysis of Air New Zealand/Virgin Blue application for authorisation of a trans-Tasman alliance,' Ministry of Transport Public Report, para 258.

⁵⁷ ACCC Final Determination (2013), para 293.

Freight teams at Qantas and Emirates have collaborated on joint sales and marketing to deliver more effective carriage of freight to markets beyond the major gateways. Coordination as a result of the Proposed Conduct provides Qantas and Emirates with the ability to better provide freight services across the Tasman, particularly in relation to specialised shipments such as oversized freight and animals such as horses, which would not otherwise be possible, particularly given the often complex and high-risk operations that need to be carefully coordinated between carriers of such freight. This enables both carriers to offer extended and specialised capacity (including through freighters) to and from New Zealand and beyond. For example, Qantas' freighter service that operates between Sydney, Auckland and Christchurch can connect to Emirates' freighter that operates between Sydney and Dubai. This ultimately provides an opportunity for increased trade between New Zealand and other regions, including the Middle East.

Going forward, without Qantas' own operations to the MENA Region, the Restated MCA will continue to give Qantas' freight customers greater access to capacity and network options than what would otherwise be the case. In the absence of the Proposed Conduct, the incentive for Qantas and Emirates to continue with supporting arrangements for each other's freight customers would be removed, given that each airline would be focused only on maximising its own sales outcomes rather than a broader freight handling proposition.

8 NO REASON FOR MINISTER REFUSING TO RE-AUTHORISE THE PROPOSED CONDUCT

8.1 Overview

The Proposed Conduct meets the test for re-authorisation and the Minister should exercise his discretion to grant re-authorisation section 88(2) of the CAA. Sections 88(3) and (4) of the CAA provide specific reasons for the Minister to decline to re-authorise, although they are subject to an override in section 88(5) if the Minister believes that to decline re-authorisation would have an undesirable effect on international comity. As discussed in this Application:

- none of the reasons set out in sections 88(3) and (4) apply in respect of the Proposed Conduct; and
- declining re-authorisation would have an undesirable effect on international comity between New Zealand and Australia, Australia and the UAE and New Zealand and the UAE and accordingly, section 88(5) provides a distinct reason for the Minister to exercise his discretion in favour of re-authorising the Proposed Conduct.

8.2 No infringement of section 88(3)

In considering whether to grant re-authorisation under subsection (2) of this section, the Minister must ensure that granting re-authorisation will not prejudice compliance with any relevant international convention, agreement or arrangement to which the Government of New Zealand is a party. The Minister's re-authorisation of the Proposed Conduct will not prejudice New Zealand's compliance with any relevant international conventions, agreements or arrangements. Conventions and agreements which may be relevant include:

- the Open Skies Air Service Agreement between New Zealand and Australia (as negotiated by the Ministry) dated 8 August 2002 (the **NZ-Australia ASA**);
- the SAM Arrangements between New Zealand and Australia dated 19 November 1996;
- the NZ-UAE ASA and the Agreement between the Government of The United Arab Emirates and the Government of Australia relating to Air Services dated 8 September 2002 (**Australia-UAE ASA**); and
- bilateral agreements between New Zealand and other countries.

The NZ-Australia ASA expressly contemplates authorisations of the type sought in this application and therefore any re-authorisation cannot be said to prejudice compliance with that agreement. Specifically, Article 14 provides that:

The competition laws of each Party, as amended from time to time, shall apply to the operation of the airlines of both Applicants. Where permitted under those laws, a Party or its competition authority may, however, unilaterally exempt commercial agreements between airlines (including block-space, code share and other joint service agreements) from the application of its domestic competition law.

The SAM arrangements reflect a desire on the part of the Australian and New Zealand Governments to achieve an efficient, integrated Australasian aviation market. The Proposed Conduct will generate substantial benefits for consumers and will deliver economic efficiencies to the benefit of the airlines themselves and New Zealand and Australia. This will deliver a better value proposition for consumers in both countries and be mutually beneficial to each country's economy.

Clause 15 (1) provides:

All aviation activities (including terminal access) under these arrangements will take place in a manner consistent with competition law as it applies in the relevant jurisdiction.

Therefore, re-authorisation of the Proposed Conduct which is consistent with the CAA regime (and therefore the *Commerce Act 1986*) and the Australian *Competition and Consumer Act 2010* (Cth) will not prejudice compliance with the SAM. Additionally, nothing in the Proposed Conduct will prejudice compliance with the NZ-UAE ASA or the Australia-UAE ASA or any bilateral agreements between New Zealand and other countries.

8.3 No infringement of section 88(4)

The Minister cannot decline to re-authorise the Proposed Conduct under section 88(4) as the Proposed Conduct includes no provision that would infringe section 88(4)(a)-(f):

- **No Infringement of Section 88(4)(a)** Authorisation shall not be given under this section to any provision of any contract, arrangement, or understanding that provides that any party to it may directly or indirectly enforce it through any form of action by way of fines or market pressures against any person, whether or not that person is a party to the contract, arrangement, or understanding. The Proposed Conduct makes no provision for either Applicant to directly or indirectly enforce the Restated MCA through any form of action by way of fines or market pressures against any person.
- **No Infringement of Section 88(4)(b)** Authorisation shall not be given under this section to any provision of any contract, arrangement or understanding that has the purpose or effect of breaching the terms of a commission regime issued under section 89 of the CAA. The Applicants understand the only commission regimes issued by the Minister which are currently in force under section 89 of the CAA are the Civil Aviation (Passenger Agents' Commission Regime) Notice 1983 and the Civil Aviation (Cargo Agents' Commission Regime) Notice 1983. The Proposed Conduct does not have the purpose or effect of breaching the terms of either of these commission regimes.
- **No Infringement of Section 88(4)(c)** Authorisation shall not be given under this section to any provision of any contract, arrangement or understanding that unjustifiably discriminates between consumers of international air services in the access they have to competitive tariffs. The Proposed Conduct does not contain any provision which discriminates between consumers in the access they have to tariffs. In fact, the Proposed Conduct will improve outcomes for consumers of international air services as it will provide for preferential availability ensuring more availability for discounted fares across a broader travel period. Currently, consumers have wide access to competitive fares from Air New Zealand and other competitors. Each of the Applicants sets fares having regard to existing and potential competition from other carriers on all routes on which they operate – i.e., they set 'competitive fares' and make those fares widely available.

The Applicants will continue to face competitive pressure from other competitors and will continue to offer competitive fares. The Applicants will have no greater ability (or incentive) to discriminate

between consumers in the access those consumers have to competitive tariffs. To the contrary, consumers are more likely to have greater access under the Proposed Conduct because:

- the Applicants will continue to set fares having regard to existing and potential competition from other carriers on all routes on which they operate – i.e., they will continue to set ‘competitive fares’;
 - the Applicants will continue to make those fares widely available – their distribution strategy will be determined having regard to existing and potential competition and the costs and benefits of various distribution channels. Indeed, rather than restricting access, the Proposed Conduct will enhance the availability of fares for travel on the Tasman as the Applicants will coordinate their marketing and sales activities; and
 - a larger inventory of seats in the lower booking classes will be made available under the Proposed Conduct. Accordingly, neither the Proposed Conduct viewed as a whole nor any provision of the Restated MCA will undermine consumers’ wide access to competitive fares either from the Applicants or their competitors on any relevant routes. Indeed, the opposite is the case.
- **No Infringement of Section 88(4)(d)** Authorisation shall not be given under this section to any provision of any contract, arrangement or understanding that so far as it relates to tariffs, has the effect of excluding any supplier of international carriage by air from participating in the market to which it relates. Section 88(4)(d) sets a high threshold – it requires that the provision has the effect of excluding a supplier from participating in the market. The Proposed Conduct has no impact on the ability of any supplier of international carriage by air from participating in the provision of services on any relevant routes. The continued entry and expansion of carriers on routes to, from and within Australasia indicates that tariffs are not today, and have not been in the past, set in a way so as to exclude any airline from operating on those routes. The tariff provisions which will operate as a result of the Proposed Conduct will not have the effect of excluding any airline from operating on the Tasman (or any other route) because:
 - the Applicants will continue to set tariffs having regard to existing and potential competition from other carriers on all routes on which they operate. Authorisation will not have any flow-on impact in terms of ASAs or other regulatory conditions that would impact another airline’s access to the Tasman (or any other routes); and
 - given the low barriers to entry and expansion on the Tasman and the existence of strong international competitors such as Air New Zealand and Virgin Australia, the Applicants will have no incentive to set tariffs so as to exclude any person from providing international air services on any of the Tasman routes (or any other routes).
 - **No Infringement of Section 88(4)(e)** Authorisation shall not be given under this section to any provision of any contract, arrangement, or understanding that has the purpose or effect of preventing any party from seeking approval, in terms of section 90 of the CAA, for the purpose of selling international carriage by air at any other tariff so approved. The NZ-Australia ASA removes any requirement that tariffs be filed with the aeronautical authorities of either Australia or New Zealand. Under the UAE/New Zealand ASA and the UAE/Australia ASA, tariff filing is not mandatory but may be required. In any event, the Proposed Conduct does not prevent any party from seeking the Minister’s approval of any tariff under section 90 of the CAA.
 - **No Infringement of Section 88(4)(f)** Authorisation shall not be given under this section to any provision of any contract, arrangement or understanding that prevents any party from withdrawing without penalty on reasonable notice from the contract, arrangement, or understanding. Clause 14 of the Restated MCA provides that it will operate for a period of 10 years from the implementation date unless terminated earlier. As discussed further below, this reflects the significant long-term investments required for global implementation of the Proposed Conduct. The Restated MCA can be terminated by either party in specific circumstances. Given the significant investments involved in implementing the Proposed Conduct, this is not an unreasonable period for an agreement of this nature.

8.4 International Comity

If the Minister considers, contrary to the Applicants' view, that the Proposed Conduct does not comply with any of section 88(4)(a)-(f) of the CAA, he can nevertheless re-authorise the Proposed Conduct under section 88(5) if declining re-authorisation would have an undesirable effect on international comity between New Zealand and another state.

Declining re-authorisation would have an undesirable effect on international comity between New Zealand and Australia and between New Zealand and the UAE. Accordingly, international comity provides a distinct reason for the Minister to exercise his discretion in favour of re-authorising the Proposed Conduct.

As discussed above, arrangements between carriers are consistent with the SAM and the New Zealand/Australia ASA. The Applicants have applied to the ACCC for re-authorisation of the Proposed Conduct and believe re-authorisation should be granted in that jurisdiction on the basis that the Proposed Conduct creates net public benefits for Australian consumers. In those circumstances, declining re-authorisation for the Proposed Conduct would prevent Australia from realising these net public benefits from an arrangement that is expressly contemplated in the New Zealand/Australia ASA.

9 TERM OF RE-AUTHORISATION

The Applicants seek re-authorisation for the Proposed Conduct for 5 years. This time frame aligns with the term of the Restated MCA and is appropriate in circumstances where identified detriments have been, and will remain, very limited and public benefits clear and compelling.

10 CONCLUSION

The Proposed Conduct clearly meets the test for re-authorisation in circumstances where:

- it will allow two highly complementary networks and business models to deliver significant public benefits including multi-hub journey options and schedule choice over an expanded network, reciprocal benefits for the millions of members of both carriers' frequent flyer programs (many of whom are resident in New Zealand), sustainable operation of Qantas' international network, expansion of non-stop capacity to New Zealand by Emirates, world-class customer experiences and product innovation, pro-competitive responses from rivals, increased tourism and promotion of international trade and business;
- Qantas and Emirates will continue to be disciplined by a number of fierce competitors providing strong and effective constraints on highly competitive routes, as well as the prospect of new entry; and
- the counterfactual future would be highly detrimental to consumers.

11 CONFIDENTIALITY

The Applicants claim confidentiality over Confidential Annexures B and C to this Application and also the information in this Application enclosed in square brackets (**Confidential Information**) pursuant to section 9(2)(b) of the *Official Information Act* 1982. A public version with Confidential Information redacted will be provided separately.

The Confidential Information is commercially sensitive and valuable to the Applicants and disclosure would be likely unreasonably to prejudice the commercial position of one, or both, of the Applicants. The Applicants request that they be notified of any request made under the *Official Information Act* for release of the Confidential Information and that the Minister seeks their views as to whether the Confidential Information remains confidential and commercially sensitive at the time responses to such requests are being considered. This request for confidentiality is not intended to constrain the Minister and the Ministry of Transport from disclosing information to other government departments

for the purposes of seeking relevant expert advice. However, the Applicants request that the Minister ensure any such departments maintain the same full confidentiality as requested above.

ANNEXURE A – RELATED BODIES CORPORATE COVERED BY THIS APPLICATION

Qantas

Entity	Country of Incorporation
AAL Aviation Limited	Australia
Australian Regional Airlines Pty. Ltd.	Australia
Regional Airlines Charter Pty Limited	Australia
Network Aviation Pty Ltd	Australia
The Network Trust	N/A
Network Aviation Holdings Pty Ltd	Australia
The Network Holding Trust	N/A
Network Holding Investments Pty Ltd	Australia
Network Turbine Solutions Pty Ltd	Australia
Osnet Jets Pty Ltd	Australia
Sunstate Airlines (Qld) Pty. Limited	Australia
Airlink Pty Limited	Australia
Eastern Australia Airlines Pty. Limited	Australia
Impulse Airlines Holdings Proprietary Limited	Australia
Jetstar Airways Pty Limited	Australia
Jetstar Airways Limited	New Zealand
Jetstar Asia Airways Pte Limited	Singapore
Jetstar Group Pty Limited	Australia
Jetstar Holidays Co. Ltd.	Japan
Jetstar NZ Regional Limited	New Zealand
Australian Airlines Limited	Australia
Jetstar Services Pty Limited	Australia
Hooroo Pty Limited	Australia
Jetconnect Limited	New Zealand
Jetstar Asia Holdings Pty Limited	Australia
Jetstar International Group Australia Pty Limited	Australia
Jetstar International Group Holdings Co Limited	Hong Kong
Jetstar Regional Services Pte. Ltd.	Singapore
Jetstar International Group Japan Co., Ltd	Japan
Q H Tours Ltd	Australia
Holiday Tours & Travel Pte. Ltd.	Singapore
H Travel Sdn Bhd	Malaysia
Holiday Tours & Travel Limited	Hong Kong
Holiday Tours & Travel Ltd	Taiwan
Holiday Tours & Travel (Korea) Limited	Korea
Holiday Tours & Travel (Singapore) Pte. Ltd.	Singapore
PT Pacto Holiday Tours	Indonesia
Hangda Ticket Agent (Shanghai) Co. Ltd	China
QH International Co. Limited.	Japan
Jetabout Japan, Inc.	Japan
Qantas Asia Investment Company Pty Ltd	Australia
Qantas Asia Investment Company (Singapore) Pte. Ltd.	Singapore
Qantas Cabin Crew (UK) Limited	United Kingdom
Qantas Catering Group Limited	Australia
Q Catering Limited	Australia
Qantas Airways Domestic Pty Limited	Australia
Qantas Domestic Pty Limited	Australia
Qantas Freight Enterprises Limited	Australia
Express Freighters Australia Pty Limited	Australia
Australian Air Express Pty Ltd	Australia
Express Freighters Australia (Operations) Pty Limited	Australia
Qantas Road Express Pty Limited	Australia
Qantas Courier Limited	Australia
Qantas Foundation Trustee Limited	Australia
Qantas Frequent Flyer Limited	Australia
Accumulate Loyalty Services Limited	Australia
Qantas Frequent Flyer Operations Pty Limited	Australia
Qantas Ground Services Pty Limited	Australia
Qantas Group Flight Training Pty Limited	Australia
Qantas Group Flight Training (Australia) Pty Limited	Australia
Qantas Information Technology Ltd	Australia

Qantas Superannuation Limited	Australia
QF 738 Leasing 5 Pty Limited	Australia
QF 738 Leasing 6 Pty Limited	Australia
QF 744 Leasing 3 Pty Limited	Australia
QF 744 Leasing 4 Pty Limited	Australia
QF A320 2014 No. 1 Pty Limited	Australia
QF A320 2014 No. 2 Pty Limited	Australia
QF A320 2014 No. 3 Pty Limited	Australia
QF A320 2014 No. 4 Pty Limited	Australia
QF A332 Leasing 1 Pty Limited	Australia
QF A332 Leasing 2 Pty Limited	Australia
QF A332 Leasing 3 Pty Limited	Australia
QF A332 Leasing 4 Pty Limited	Australia
QF BOC 2008-1 Pty Limited	Australia
QF BOC 2008-2 Pty Limited	Australia
QF Cabin Crew Australia Pty Limited	Australia
QF Dash 8 Leasing No. 4 Pty Limited	Australia
QF Dash 8 Leasing No. 5 Pty Limited	Australia
QF Dash 8 Leasing No. 6 Pty Limited	Australia
QF ECA 2008-1 Pty Limited	Australia
QF ECA 2008-2 Pty Limited	Australia
QF ECA A380 2010 No.1 Pty Limited	Australia
QF ECA A380 2010 No.2 Pty Limited	Australia
QF ECA A380 2010 No.3 Pty Limited	Australia
QF ECA A380 2010 No.4 Pty Limited	Australia
QF ECA A380 2011 No.1 Pty Limited	Australia
QF ECA A380 2011 No.2 Pty Limited	Australia
QF EXIM B787 No.1 Pty Limited	Australia
QF EXIM B787 No.2 Pty Limited	Australia
Snap Fresh Pty Limited	Australia
Southern Cross Insurances Pte Limited	Singapore
Taylor Fry Holdings Pty Limited	Australia
Taylor Fry Pty Limited	Australia
Vii Pty Limited	Australia

Emirates

Entity	Country of Incorporation
Community Club Management FZE	Jebel Ali Free Zone, UAE
Duty Free Dubai Ports FZE	Jebel Ali Free Zone, UAE
ELRA Properties Pty Ltd	Australia
Emirates	Dubai, UAE
Emirates Airline Limited	England
Emirates CAE Flight Training LLC	Dubai, UAE
Emirates Canada Limited	Canada
Emirates Engine Overhaul Centre LLC	Dubai, UAE
Emirates Flight Catering Co. (LLC)	Dubai, UAE
Emirates Hotel LLC	Fujairah, UAE
Emirates Hotels (Australia) Pty Ltd	Victoria, Australia
Emirates Land Development Services LLC	Dubai, UAE
Emirates Leisure Retail (Australia) Pty Ltd	Victoria, Australia
Emirates Leisure Retail (Holding) LLC	Dubai, UAE
Emirates Leisure Retail (Singapore) Pte Ltd	Singapore
Emirates Leisure Retail LLC	Dubai, UAE
Harts International LLC	Ras Al Khaimah, UAE
Harts International Retailers (M.E.) Ltd	Ajman Free Zone, UAE
Hudsons Adelaide Airport Pty Ltd	Australia
Hudsons Airport Launceston Pty Ltd	Australia
Hudsons Albury Pty Ltd	Australia
Hudsons Bendigo Pty Ltd	Australia
Hudsons Bourke Spring Pty Ltd	Australia
Hudsons Elizabeth (Melb) Pty Ltd	Australia
Hudsons Epworth Richmond Pty Ltd	Australia
Hudsons Gawler Pty Ltd	Australia
Hudsons George (Brisbane) Pty Ltd	Australia
Hudsons Grenfell Currie Pty Ltd	Australia
Hudsons Hospital Australia Pty Ltd	Australia
Hudsons Hospitals Nth Adelaide Pty Ltd	Australia
Hudsons Hospitals S.A. Pty Ltd	Australia
Hudsons Hospitals Victoria Pty Ltd	Australia
Hudsons King William Pty Ltd	Australia
Hudsons Latrobe Pty Ltd	Australia
Hudsons Launceston Pty Ltd	Australia
Hudsons Little Collins Flinders Pty Ltd	Australia
Hudsons Liverpool Pty Ltd	Australia
Hudsons Murray Pty Ltd	Australia
Hudsons Myer Stores Pty Ltd	Australia
Hudsons Pty Ltd	Australia
Hudsons Shepparton Pty Ltd	Australia
Hudsons WA Airports Pty Ltd	Australia
Hudsons WA Hospitals Pty Ltd	Australia
Hudsons William Pty Ltd	Australia
Maritime and Mercantile International (Holding) LLC	Dubai, UAE
Maritime and Mercantile International FZE	Jebel Ali Free Zone, UAE
Maritime and Mercantile International LLC	Dubai, UAE
Maritime and Mercantile International Maldives Pvt Ltd	Maldives
MMI International (Singapore) PTE Ltd	Singapore
Prembev International FZE	Jebel Ali Free Zone, UAE
Premier Inn Hotels LLC	Dubai, UAE
Seyvine Ltd	Seychelles
The High Street LLC	Dubai, UAE

CONFIDENTIAL ANNEXURE B – RESTATED MASTER COORDINATION AGREEMENT

[REDACTED – CONFIDENTIAL]

**CONFIDENTIAL ANNEXURE C – TARIFF AND CAPACITY RELATED
CLAUSES OF RESTATED MCA**

[REDACTED – CONFIDENTIAL]

Annexure D - Qantas International Route Map

Qantas International Route Network

Effective 1 August 2017. Routes shown are indicative only.



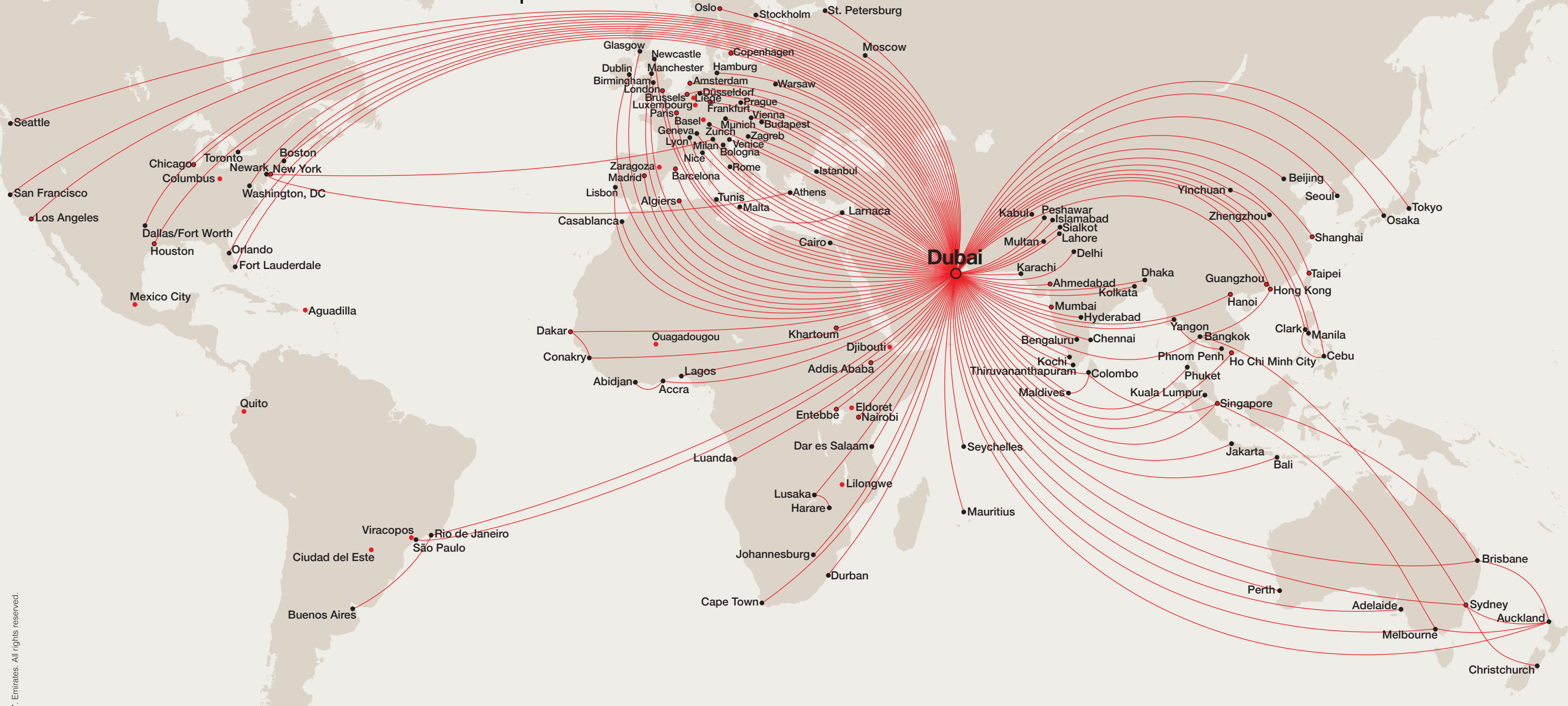
ROUTE KEY

- Qantas routes
- Jetstar routes
- Qantas Club and associated lounge locations

Too many lines to read easily? Go to qantas.com for more information.

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Annexure E - Emirates International Route Map



Middle East Network



Route Map

August 2017

- Passenger Routes
- Freighter Routes
- Passenger & Freighter Routes

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ANNEXURE F – PASSENGER SERVICES MARKET DATA: AUSTRALIA-NEW ZEALAND

TABLE 1: MARKET SHARE BY CARRIER, AUSTRALIA-NEW ZEALAND, CY14-May 2017

Carrier	CY14	CY15	CY16	Jan-May 17
Air New Zealand	37.4%	36.5%	33.8%	33.0%
Qantas	19.3%	18.0%	17.8%	20.0%
Virgin Australia	15.4%	14.9%	16.1%	14.5%
Emirates	12.6%	12.8%	11.9%	13.2%
Jetstar	11.4%	13.2%	13.5%	11.6%
China Airlines	2.3%	2.9%	2.8%	3.0%
AirAsia X Berhad	0.0%	0.0%	1.6%	1.9%
LATAM	1.6%	1.7%	1.9%	1.8%
Singapore Airlines	0.0%	0.0%	0.2%	0.7%
Philippine Airlines	0.0%	0.0%	0.3%	0.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: DDS

TABLE 2: MARKET SHARE BY CARRIER, AUSTRALIA-NEW ZEALAND (OUTBOUND) BUSINESS PURPOSE PASSENGERS, JUNE 2016-MAY 2017

Carrier	Share
Qantas	35%
Air New Zealand	24%
Emirates	13%
Virgin Australia	12%
Other	5%
Jetstar	5%
Singapore Airlines	2%
China Airlines	1%
Air Asia	1%
LATAM	1%
Cathay Pacific	1%
TOTAL	100%

Source: ABS

TABLE 3: MARKET SHARE BY CARRIER, AUSTRALIA-NEW ZEALAND (OUTBOUND), LEISURE PURPOSE PASSENGERS, JUNE 2016-MAY 2017

Carrier	Share
Air New Zealand	22%
Qantas	20%
Jetstar	19%
Virgin Australia	16%
Emirates	13%
Other	5%
Air Asia	1%
Singapore Airlines	2%
China Airlines	2%
LATAM	1%
Cathay Pacific	1%
TOTAL	100%

Source: ABS

TABLE 4: MARKET SHARE BY CARRIER, SYDNEY-AUCKLAND, CY14-May 2017

Carrier	CY14	CY15	CY16	Jan-May 17
Air New Zealand	37.4%	37.3%	36.2%	35.2%
Qantas Airways	28.2%	23.9%	26.5%	28.8%
Emirates	14.0%	15.2%	13.8%	13.4%
LATAM Airlines Group	6.4%	6.6%	7.4%	6.9%
Virgin Australia	4.7%	5.9%	6.0%	6.2%
Jetstar Airways	5.5%	6.9%	6.3%	5.3%
China Airlines	3.8%	4.2%	3.9%	4.1%
Total	100.0%	100.0%	100.0%	100.0%

Source: DDS

TABLE 5: MARKET SHARE BY CARRIER, MELBOURNE-AUCKLAND, CY14-May 2017

Carrier	CY14	CY15	CY16	Jan-May 17
Air New Zealand	38.5%	38.9%	38.7%	37.0%
Qantas	24.6%	24.0%	22.7%	23.4%
Emirates	18.5%	17.2%	15.6%	18.0%
Jetstar	10.5%	12.5%	13.2%	11.7%
Virgin Australia	7.9%	7.4%	9.9%	9.8%
Total	100.0%	100.0%	100.0%	100.0%

Source: DDS

TABLE 6: MARKET SHARE BY CARRIER, BRISBANE-AUCKLAND, CY14-May 2017

Carrier	CY14	CY15	CY16	Jan-May 17
Air New Zealand	34.6%	33.1%	32.5%	31.5%
Emirates	24.1%	23.6%	22.5%	24.6%
Qantas	19.9%	20.3%	19.1%	19.4%
Virgin Australia	14.3%	15.5%	18.8%	16.8%
China Airlines	7.1%	7.5%	7.2%	7.6%
Total	100.0%	100.0%	100.0%	100.0%

Source: DDS

TABLE 7: MARKET SHARE BY CARRIER, SYDNEY-CHRISTCHURCH, CY14-May 2017

Carrier	CY14	CY15	CY16	Jan-May 17
Emirates	32.9%	31.9%	32.0%	36.1%
Air New Zealand	25.5%	24.4%	18.8%	20.8%
Qantas	19.8%	20.0%	21.1%	18.3%
Jetstar	14.3%	12.1%	12.2%	10.8%
Virgin Australia	6.4%	8.0%	12.3%	9.8%
China Airlines	1.0%	3.6%	3.6%	4.2%
Total	100.0%	100.0%	100.0%	100.0%

Source: DDS

ANNEXURE G – FREIGHT MARKET SHARE DATA

TABLE 4: MARKET SHARE (TONNES) BY CARRIER, AUSTRALIA- NEW ZEALAND, 2010-MAY 2017

Carrier	2010	2011	2012	2013	2014	2015	2016	May 2017
Air New Zealand	35.3%	34.8%	37.4%	38.9%	42.8%	44.2%	46.8%	49.8%
Emirates	22.1%	23.4%	21.4%	19.4%	17.9%	17.6%	18.1%	16.0%
Qantas	24.1%	18.9%	19.3%	16.7%	14.5%	13.4%	12.3%	11.7%
Singapore Airlines	7.2%	10.8%	9.2%	10.9%	10.6%	9.5%	7.9%	6.7%
China Airlines	0.0%	1.1%	1.8%	4.1%	3.7%	4.0%	3.9%	6.6%
Tasman Cargo Airlines	6.4%	7.6%	7.9%	7.5%	7.6%	8.3%	7.8%	6.1%
LAN Airlines	0.9%	0.8%	0.9%	1.1%	1.5%	1.6%	2.0%	2.4%
Virgin Australia	1.3%	1.2%	1.1%	1.2%	1.1%	1.0%	0.8%	0.5%
Jetstar	0.7%	0.5%	0.4%	0.3%	0.5%	0.4%	0.4%	0.2%
Royal Brunei Airlines	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aerolineas Argentinas	1.2%	0.9%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Cargolux Airlines	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: BITRE