



21 March 2018

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

Dear Ms Tucker,

Code share arrangements between Qantas and Air Niugini

On 14 March 2018, the Australian Competition and Consumer Commission (ACCC) provided comments in relation to Qantas' application regarding code sharing arrangements with Air Niugini between Australia and Papua New Guinea (PNG). Qantas submits the following comments in relation to the ACCC's submission.

The ACCC's submission refers to a hard block code share generally being preferable to a free sale code share. However, codeshare arrangements in all forms have promoted competition in what would otherwise be unserved or monopoly markets. Trade and tourism are important third party beneficiaries.

In 2016 Qantas and Air Niugini changed the structure of their code share arrangements on the PNG route to a more sustainable model which better reflects the dynamics of the market and which will continue to provide public benefits to consumers.

Under these free sale arrangements for passenger services, which is one of the most common types of code share, the marketing carrier is given access to the operating airline's seat inventory system for the code share flight. The marketing carrier independently determines its fares and sells seats on the operating carriers' services. From a systems perspective, the operating carrier owns the inventory on the aircraft and determines seat availability by opening, closing or shifting inventory. A hard block of freight capacity is obtained on Air Niugini's B767 services. Passengers and freight customers therefore continue to have a genuine choice as to whom to purchase seats or space from.

The ACCC's submission considers the likely future with and without the code share arrangement. **[CONFIDENTIAL INFORMATION REDACTED]**. Air Niugini addressed the likely counterfactual in its comments in relation to Qantas' application which would see the careful review of its services (Cairns and Townsville), material risk of reduced services or withdrawal (Sydney) or likely withdrawal of wide body aircraft (Brisbane). However, the International Air Services Commission (IASC), may wish to seek further information from Air Niugini on this matter.



The ACCC's submission notes that the IASC may impose conditions if it is minded to authorise the code share arrangements. Qantas does not support the imposition of conditions that restrict the commercial flexibility of code share arrangements given that this is likely to make the services more difficult to sustain in the longer term.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rohan Garnett', with a stylized flourish at the end.

Rohan Garnett
Executive Manager, International Affairs