

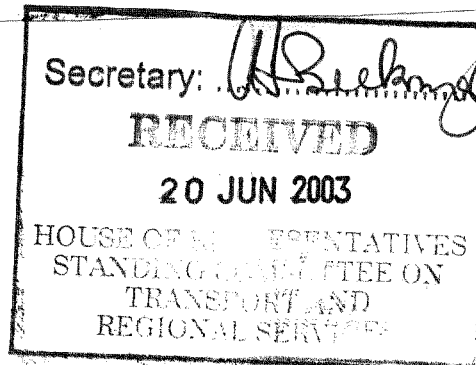
+61 2 96914427



20 June 2003

SUPPLEMENTARY SUBMISSION NO. 183

Mr Paul Neville MP
 Committee Chair
 House of Representatives Standing Committee
 on Transport and Regional Services
 Parliament House
 Canberra ACT 2600



Dear Mr Neville

I am writing to respond to the submission to your inquiry from Canberra International Airport, reported in the Canberra Times on 19 June 2003. Qantas offers the following comments on issues raised by the airport's Managing Director Stephen Byron:

Qantas' Role in Regional Aviation

Qantas cannot leave unchallenged the statement from Canberra International Airport that since Ansett's collapse, Qantas controls regional aviation in Australia "in a near monopolistic environment" that "is clearly anti-competitive in a long term sense". Qantas rejects these statements outright and offers the following facts in response:

- In the immediate aftermath of Ansett's collapse, QantasLink moved quickly and responsibly to operate hundreds of temporary services to dozens of communities across Australia to rescue stranded passengers, free of charge
- Since Ansett's collapse, the former Ansett subsidiaries Aeroperican, Hazelton and Kendell (now combined as Regional Express), and Skywest have all continued to operate on essentially the same routes
- Since the demise of Ansett, the QantasLink regional network has not added a single route operated by a former Ansett subsidiary regional airline
- Qantas has, in the absence of regulation, maintained an extremely responsible stance on pricing, with minimal fare increases since Ansett's collapse despite substantial increases in industry costs. However public expectations of regional pricing continue to be influenced by the lower cost structure of high volume, mainline air services.

Industry Regulation

We share the view that it is difficult for all operators, including QantasLink, to make adequate returns from regional air services. However Qantas does not believe the solution to the problems faced by regional aviation will be generally found through increased regulation.

Further regulation of the industry is not in the broader public interest, as it does not encourage the development of efficient, viable airlines capable of providing high quality air services to rural and regional Australia that are sustainable in the long term. State and Territory governments have recognised that the time has long gone when regulation can be used on regional routes to promote competition, as many regional routes are marginal and not capable of supporting more than one carrier.

The only exception to this general proposition would be on a minority of routes where no air service would be commercially viable without Government support, with the level of support sufficient to encourage a single operator only, selected through a competitive tendering process.

Qantas Airways Limited

ACN 009 661 901

Qantas Centre 203 Coward Street Mascot New South Wales 2020 Australia

Telephone 61 (2) 9691 3636

+61 2 96914427

Competitive Behaviour

Following the collapse of Ansett, the Federal Government formally reviewed the need for a code of conduct to ensure competitive market behaviour, and concluded that the powers available to the ACCC under the Trade Practices Act were adequate. Qantas and its subsidiary regional airlines continue to fully abide by and comply with the Act.

Reservation Systems

The reservation system of an airline forms part of its commercial and intellectual property, and numerous competing systems exist in the market place from which smaller carriers can choose to be hosted. Qantas has been pleased to offer access to its reservation system to all of its affiliated regional airline partners, not all of whom have chosen to accept, some preferring to use other systems. To mandate access of a proprietary system to third party airlines is neither a necessary nor practical solution.

Publication of Passenger Data

Canberra International Airport believes that the mandatory publication of airlines' detailed passenger data would help address the industry's problems, by allowing airports to develop future strategy including route development. All airlines operating in Australia have, for many years, provided their passenger data to Federal and State government agencies to facilitate policy development and planning decisions. In addition, airlines regularly consult with airports on those issues that can influence an airline's network and route decisions. Mandatory publication of commercially sensitive airline data will not improve this process.

While regional aviation continues to face many challenges, the proposals offered above by Canberra International Airport do not represent realistic solutions for the industry.

Yours sincerely



Chris McArthur
General Manager Regional Airlines