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Dear Commissioner, *Warren,*

Productivity Commission Research Paper – *Australia's International Tourism Industry: Trends, Drivers and Barriers to Growth*

Thank you for the opportunity to provide comments to the Productivity Commission's research paper into Australia's international tourism industry.

The research paper presents an opportunity for Government to reflect further on the important role played by the Australian aviation and tourism sectors in the national economy. As enablers of activity across the whole of the economy the two sectors are co-dependent, and policy challenges for one – if not adequately addressed – are potentially detrimental to the interests of the other.

Qantas supports the principles which underline Australia's three tiered approach to international aviation policy which seeks to balance the economic, trade and tourism benefits from opening up markets with the need to maintain a strong Australian-based aviation sector and ensure capacity remains ahead of demand.

However, in recent years the application of the policy has led to outcomes in the market which we believe are detrimental to the interests of the tourism industry, the Australian aviation industry and the national economy as a whole.

The results are instructive and help illustrate the nature of the challenge:

- The addition of 6.8 million seats into the inbound international market since 2005 has produced only 1.2 million additional visitors;
- Since 2007, outbound travel has grown at four times the rate of inbound visitors;



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- Outbound travel from a population of less than 25 million exceeds inbound tourism sourced from the entire global market and will do so for the next decade and beyond; and
- Deloitte Access Economics advises the tourism balance of trade has declined from being positive in 2005/06 to an accumulated loss to the economy of around AUD100 billion over less than a decade, a deficit which will continue to accumulate over the next decade and beyond.

With record low air fares and record high levels of capacity in the international market, and despite increased trips undertaken in an ultra-competitive domestic market, overnight visitor expenditure in Australia will soon be overtaken by the expenditure of Australian residents on overseas travel.

The current policy settings benefit a small number of foreign airlines and a few, but not all, of Australia's monopoly airports. Whilst the need for airports to generate profits in order to support future investment is legitimate and supported, the interests of all stakeholders must form part of Australia's policy response to the challenges facing the aviation and tourism sectors.

The Australian Government has committed to deregulate and internationalise the Australian economy. In order to do this effectively and protect the national interest, the Government needs to ensure policy is aligned with the contemporary challenges facing key sectors of the economy.

In addition to meeting the challenges faced in growing international tourism to Australia, the policy settings must also allow Australian airlines access to capital and the opportunity to form alliances with partners with global reach, and ensure that all players – Australian airlines, airports and the tourism industry – can participate in the market on equal terms. With appropriately balanced policy settings implementation of the Government's broader reform agenda becomes easier to implement.

We would be pleased to meet with the Commission to discuss the attached submission.

Yours sincerely,

ANDREW PARKER
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PRODUCTIVITY COMMISSION RESEARCH PAPER

Overview of policy and the operating environment

Aviation and tourism are enablers of important activity across the Australian economy. These industries are co-dependent and Australia's national interest is best served when policy aligns the interests of both. Policy failure affecting one sector is highly detrimental to the interests of the other, and consequently to the interests of the national economy.

The Productivity Commission research paper is an opportunity for Government to re-examine the policy framework which was set 15 years ago following the Productivity Commission's Inquiry into *International Air Service*. This framework was in large part re-endorsed in 2009 by the *National Aviation Policy White Paper*, setting out three key policy pillars:

- Balance the economic, trade and tourism benefits from opening up markets;
- Maintain a strong Australian-based aviation sector; and
- Ensure capacity remains ahead of demand (CAD).

These remain sound in principle, but in application the outcomes have not been consistent with the policy intent and it is timely that they be revisited. International aviation is not conducted in a free or transparent market, as such Qantas believes policies must be actively managed to maximise national benefit and avoid distortion.

Maintaining a strong Australian-based aviation sector is central to the policy objectives and is important to the national interest.

The national interest is not served by a contracting Australian international airline industry restricted to the Australian domestic economy with limited global reach:

- In this scenario, the downstream consequences for employment; enhancing the national skill base; strengthening the national economy, and serving the national strategic interest are clear, predictable and negative.

The national interest is best served by ensuring Australian international airlines fulfil their potential as strategically important global businesses domiciled in the Australian economy aligned with partners with global reach:

- Allowing Qantas access to capital; consolidation and strategic alliances with international carriers is fully consistent with global industry trends and national economic policy.

A policy framework which degrades the value of Qantas reduces incentives for investment in both Qantas and the national economy.

Within the policy framework, the original intent of CAD was to ensure the distorting effects of bilaterals air services agreements were addressed and the nexus between price and supply was actively managed

- This policy remains sound, however the circumstances under which it was initiated are now rarely present in the Australian market and the underlying intent has long been lost as CAD has seen an over-supply of capacity to support the Australian inbound tourism sector.

Unfortunately, CAD, negotiated to support Australia's aspirational *Tourism 2020 Strategy* has seen the emergence of negative and unintended effects which remain unaddressed.

A small number of international airlines, faced with weak post GFC demand in other markets and active intervention by governments in Europe, Asia and the Americas to protect their national economies against detrimental market practices, used the opportunity created by Australia's CAD policy to secure a strategic position in the Australian market:

- This has come at a cost to the national economy; and
- In Europe and North America, governments have become far more conservative in bilateral air services negotiations. We have seen the rise of re-regulation through the imposition of new 'fair competition' regulations for aviation that go beyond simple consumer protection measures.

With a small number of important exceptions, Australia's major inbound source markets, particularly those in Europe and North America appear to be maturing:

- Consequently, capacity gifted for the express purpose of promoting inbound travel was instead shifted into Australia's outbound market as inbound growth failed to materialise.

The rapid growth in the outbound market has resulted in jobs and investment being exported to competitor off-shore destinations:

- Ultimately to the detriment of both the tourism sector and Australian airlines.

In Attachment 1, Deloitte Access Economics advise that the balance of tourism trade has declined to an accumulated deficit of almost AUD100 billion in less than a decade:

- This will have predictable consequences for investment and employment in the Australian economy.

Based on Government forecasts of traffic flows into and out of Australia over the next decade, that deficit will continue to accumulate – see Attachment 1, slides 4 and 6.

An expectation that Australian residents have access to affordable air fares established in a properly functioning market is important in any policy framework and is strongly supported by Qantas.

Absent from the policy discussion have been the almost 260,000 Australian businesses (91 percent of all tourism related businesses) which are highly dependent on domestic tourism:

- Over 70 percent of the wealth in Australian tourism is generated in the domestic market and these businesses are increasingly voicing their concern about stagnation, lack of growth and diminishing profits.
- At the same time, in many regional communities, the mining boom and the growth of fly-in-fly-out traffic has temporarily masked the negative long term effects of a domestic tourism sector performing well below its full potential.
- As the mining sector moves away from its construction phase and market pressure mounts on coal, gas and iron ore exports and other sectors of the regional economy, the masking effect will be removed – Attachment 1 slide 8 demonstrates the growth in outbound travel in the Western Australia market.

A small number of airlines and a few of Australia's airports have benefited in this environment as wealth has been transferred from other key stakeholders, including:

- Australian and major foreign international airlines;
- Regional airports dependent on domestic tourism; and
- State and regional economies.

Evidence of the change in directional flow of traffic was available as early as 2005 and fully confirmed by 2008, coinciding with the decline of the balance of trade from positive to negative.

Trade liberalisation is of significant value to the Australian economy and is central to framing Australia's aviation and tourism strategies:

- Qantas operates in one of the most liberal aviation markets in the world;
- Today, however, governments addressing challenges similar to those seen in Australia have taken deliberate steps to protect and enhance their national economies.

The policy has damaged the Australian airline industry in a highly competitive, highly regulated international market:

- A more rational policy is likely to have seen a significant proportion of off-shore travel expenditure now being undertaken by Australians retained in the Australian economy and directed at domestic employment, investment and regional development.

Outcomes

Policies which have focused on narrow sectoral interests and have allowed certain international carriers to aggressively expand have produced less resilient and rational outcomes than is generally portrayed or understood:

- It is apparent Australia is facing a challenging period in its aviation and tourism sectors at a time when the national economy is slowing.

A decade of record growth in airline seats, ultra-low airfares and high levels of promotional expenditure by Australian international carriers and taxpayers, has failed to stimulate inbound tourism, with the notable exception of China.

Deloitte Access Economics at Attachment 1 illustrates the extent of this problem:

- 6.8 million inbound seats added into the market since 2005 have only produced 1.2 million additional inbound visitors (measured from 2003 – 8 million extra seats for only an additional 1.5 million visitors);
- In late 2007, the number of outbound Australian resident departures surpassed inbound International visitor arrivals. However, prior to the change-over the trend was clearly evident – see Attachment 1, slide 4;
 - Since the change-over, outbound travel has grown at four times the rate of inbound visitor arrivals;
- Domestic overnight visitor expenditure will soon be overtaken by the expenditure of Australian residents on overseas travel – see Attachment 1, slide 7;
 - Attachment 1, slide 7 also suggests a plausible link between the decline in domestic overnight visitor expenditure in 2007 and the acceleration of outbound travel.
- Outbound travel from a population of less than 25 million exceeds inbound tourism sourced from the entire global market. Government forecasts indicate that outbound travel will dominate the market to 2023 (and well beyond)
 - with detrimental effects including a continuation of the accumulating negative balance of trade – see Attachment 1, slide 6; and
- On forecast, this will mean that Australia will enter a third consecutive decade where outbound travel will significantly exceed inbound tourism at a time when the global consuming class is estimated to grow from a current 2.4 billion to 4.2 billion by 2025.

To illustrate the challenge:

- Forecast real inbound visitor expenditure at the end of the next decade (**2023**) will grow to AUD43 billion;
- This is AUD5 billion **less** than Australian residents will spend **this year** overseas (AUD48billion);
- Overseas expenditure by Australian residents in **2023** is projected to exceed AUD58 billion – AUD15 billion more than visitor expenditure in that year; and
 - AUD3 billion more than domestic overnight expenditure in the same year
- See Attachment 1, slides 5 and 9.

Taken together, the challenges for the Australian economy are significant.

The forecasts do not include provision for the impact of externalities such as the sliding of the European economy, the intensifying conflict in the Middle East or a global/regional outbreak of an infectious disease:

- Given the certainty of negative externalities, it is probable the inbound forecasts themselves may not be achieved, further exacerbating the challenges facing the tourism sector.
- Calls for policies directed at continuing to force airline capacity growth in such circumstances are certain to fail and perpetuate the trends of the last decade.
- Compounding this challenge is the very significant risk to publically-traded airlines posed by capacity dumping by carriers controlled by shareholders (a small number of foreign governments) who prioritise market share over profitability and value creation.

The overriding objective of such behaviour has to be viewed over the long term. Once the objective of controlling the market has been achieved, the profitless levels of capacity currently being operated by some carriers will not be maintained:

- If their expansion continues to go unchecked, those airlines will eventually move to recover the loss leaders and the economic cost of excess capacity currently employed in the Australian market.

Despite clearly identified negative consequences and the risks inherent, there remains an insistence by certain stakeholders on maintaining profligate levels of airline capacity to support specific sections of the economy at the expense of others.

The outbound surge has not slowed aviation investment in the Australian tourism sector:

- Almost 70 percent of all current investment comes from aircraft purchased by Australia's airlines and the majority of projected non-aircraft investment is in airport infrastructure projects;
- However, if the current policy settings continue, the profitability and viability of airlines, as well as their ability to support tourism by investing in new aircraft and market development, will ultimately be in question.

Air Services Agreements Negotiating Strategy

Bilateral air services agreements between governments are mercantilist. They are not open or transparent and not all governments share the same approach. More recently we have seen re-regulation where governments are introducing measures to wind back past liberalisation.

While the bilateral system is inherently constraining, it has been effective in delivering growth. Within this framework, Qantas supports progressive and pragmatic liberalisation on a level playing field, which ensures a balance of benefits and opportunities in air service agreements and profit for all sectors. Sequenced case-by-case negotiations will improve yield and investment for all carriers and deliver sustainable growth across the economy.

In recent years, Australia has seen a very significant shift away from European to Asian carriers:

- While the European air services agreements have expansive route and traffic rights clauses, the North Asian agreements are typically more conservative point-to-point arrangements as negotiating leverage needed for to expand route and traffic rights was conceded in favour of CAD;
- This is particularly highlighted in the case of Australia's air services arrangements with Hong Kong in previous years where CAD has effectively removed the leverage needed to ensure Australian carriers have reciprocal access to the benefits of Hong Kong's extensive hub capability
 - The Government of Hong Kong has deliberately traded on the basis that it can grow its capacity to Australia without making any concession to the legitimate interests of Australian airlines in establishing reciprocal hub opportunities in Hong Kong.

While clearly evident in the case of Hong Kong, CAD has more generally removed leverage needed to improve the value of hubs. It ultimately represents a lost opportunity for the Australian economy and reduces Qantas' attractiveness to potential investors.

The alliance between Qantas and Emirates expanded access to Europe, the Middle-East and Africa to more than 75 destinations:

- This would not have been possible without complex treaties negotiated on a balance of benefits/balance of opportunity basis, where whole-of-market access for Australian carriers was a component part of Australia's negotiating priorities.
 - These arrangements have brought consistent and considerable wealth to the Australian economy and underpin the presence of well over 60 international airlines in the strategically important Australia – Europe market.
- They provide a clear example of the benefit of deliberate and structured negotiations, and as a result, there has never been better access for tourism between Australia and the whole of Europe market, as well as the emerging Middle East and African markets.

Qantas supports an aviation policy which prioritises key bilateral air services agreements:

- It is a matter of record that there is no supply crisis in present or projected airline capacity into or out of Australia.
- In the 60 years prior to 2004, airline capacity operated into Australia grew to 15 million seats. In the next decade, it grew by an additional 6.8 million seats – outstripping inbound demand by 5.6 million seats.
- It is highly likely that the additional 1.2 million visitors carried into Australia during this period would have been accommodated if capacity had been allowed to grow in the manner of the previous 60 years – particularly as so much of the of the increase has come from a single source market, China.
 - This does not understate the importance of the three tiered policy approach and the benefits of liberalisation more generally, but emphasises that a balance could easily have been struck between the legitimate interests of all stakeholders without the cost paid over the last decade.

- In these circumstances, and where there is more than enough capacity available under Australia's air services arrangements, the key policy objective must be achieving and maintaining sustainable collective growth for airlines, airports and Australia's tourism industry.

Warehoused capacity already negotiated under the bilaterals is high and there is ample scope for load factors to improve. Aviation policy must strongly support a sustainable industry:

- Airlines must be to make a profit and Australian airlines able to expand in their own right and through commercial alliances with partner airlines.
- This is proving elusive, with both Australian and key foreign carriers which have invested heavily in Australia, caught between a small group of airlines pursuing a dominant strategic position, and the presence of bottom feeder airlines which set the floor price in many markets.

Australia's aviation policy recognises the importance of dispersed hubs and the role of these hubs in addressing sixth freedom choke points. Qantas supports a sustainable hub strategy.

In addition to its hubs in the Americas (Los Angeles, New York, Dallas/Fort Worth and Santiago), Qantas has a multi-billion investment in the Sydney hub, as well as hub investments in London, Dubai, Singapore and in Shanghai through its partnership with China Eastern. Each of these investments supports the Australian travel, trade and tourism industries.

The primary focus of other bilateral negotiations beyond those involving the strategic hubs should be end-to-end traffic (i.e. third-fourth freedom services) to support inbound tourism:

- Maintaining a deliberate policy on sixth freedom access to Australia via strategic hubs will ensure that the investment focus remains on hubs and rewards investment from top echelon airlines serving this market.
- In other markets, the focus must be on encouraging origin-destination tourism from home markets or, in a very limited number of cases, addressing identified market distortions if and where they occur.

Not all markets are hubs and should not be treated as such:

- Ensuring capacity growth in the Australia – China market is important and continues to be supported by Qantas.
 - Self-interested assertions by a number of stakeholders that there is a capacity crisis in this market which is in some way attributed to the Australian government need to be vigorously tested against the facts.
- Given Malaysia's often stated potential as an inbound tourism market, the principal focus of capacity should be directed to maximising Malaysian tourism and not to provide an exit point for Australians travelling to third countries
- This is equally true of the Philippines and its much touted but highly elusive tourism potential where a similar approach should be adopted
 - Inevitably the growth in sixth freedom traffic carried by Malaysian and Philippine's carriers will undermine the willingness of airlines from those third countries, many of which are central to Australia's strategic interests, to continue to invest in Australia.
- Australia needs to exercise caution to ensure it does not become a battle ground between foreign airlines as they pursue a largely domestic agenda remote from Australia's national interest
 - Media reports suggest very significant losses and route cancellations already being incurred by recent new entrants to the Australian market.

The *Tourism 2020* strategy appears far too ambitious with key metrics tracking well below specified targets. It is unlikely they can or will be achieved:

- The aviation capacity targets, both international and domestic, are recognised by all objective commentators as being well on track and outperforming all other *Tourism 2020* metrics
- Yet, the aviation targets, which have been framed with very little rigor or consultation continue to dominate the policy discussion.

It is well understood that even approaching the *Tourism 2020* aspirational targets is wholly dependent on China delivering a predicted 25 percent of all tourism growth up to 2023, and 40 percent of all foreign tourism expenditure during that period.

- Consequently, Qantas continues to support expanded airline capacity from China and has recently signed a land mark agreement with China Eastern Airlines which will foster important trade and tourism opportunities for Australia
 - This is in addition to serving China with direct services and through commercial arrangements directed at the China market with China Southern; Cathay Pacific and Dragon Air – see Attachment 2.

However, as a number of contributors to the Productivity Commission’s research paper have observed, Australia is in an intensely competitive international market for Chinese tourism with an estimated 140 countries now with approved destination status

- With almost universal recognition that China is a major tourism source country with strong growth potential and spending power
 - Maintaining growth and repeat business from China will require sustained investment in tourism infrastructure to match that of competitor destinations in Europe, the Americas and Asia.
- Airline capacity will be the least of the challenges:

If on-going investment by all the major airlines serving Australia’s travel, trade and tourism sectors is valued, capacity strategies need to ensure the optimum number of carriers – not the maximum – to ensure appropriate incentives for carriers to invest and promote Australia on their global networks.

Australia must stop rewarding airlines which put at risk the integrity of the market. This can be done without affecting the legitimate interests of other stakeholders.

Economic policy and Australia’s aviation sector

Few areas of policy better illustrate the need for a mature and fully informed debate than the discussion of economic policy and Australia’s aviation sector:

- Some commentators postulate that a lack of negotiated capacity is a demonstration of market failure (a quota), which must be addressed by more capacity as a means of overcoming a distortion rather than creating one.
- They contend that this lack of negotiated capacity has created a protected industry, the economic cost of which is carried by downstream industries, such tourism, and airports.
 - In this environment, it is proposed that Qantas is inefficient and Australia’s future rests with foreign carriers.

These are self-serving assertions, as many of the proponents are or should be fully aware, framed on a naïve and careless presumption Australian carriers are expendable.

- They fail at a number of key points, the most basic being that there is no demonstrated shortage of airline capacity or any expectation that airline capacity will be a future problem.

These views have been put forward in respect of Qantas in submissions to the Commission's research paper

- They are presented without acknowledgement of the highly effective and continuing cost reduction program occurring within Qantas;
- Without any knowledge of our forward investment or strategic planning or the manner in which we plan to commit our multi-billion dollar forward fleet orders which include inter-continental next generation aircraft; and
- Without recognition or apparent understanding of our continuing investment in international markets, including in strategic hub developments around the world.

The mistake made in this assessment by those observers whose intent is not vexatious is to confuse market share with investment

- It is a simple matter of fact in an expanding market with many players the overall market share of individual participants will often decline as the market grows
- This has occurred for the Qantas Group over the last decade but without diminishing our importance or contribution to the national economy
 - During that decade Qantas Group increased by over one million the number of international passengers it carried into and out of Australia
 - That growth was exceeded only by our partner Emirates – with a significant amount of its growth occurring in partnership with Qantas – and by Virgin Australia.
 - In the financial year ended June 2014 Qantas Group carried 8.2 million passengers into and out of Australia. This was 4.6 million more than Emirates; 5.8 million more than Air New Zealand; 5.4 million more than Singapore Airlines and 5.4 million more than Virgin Australia.

With few exceptions, major airlines operating in the global economy actively engage in the development of partnerships, participate in alliances and are growing their international presence through “virtual” networks or code-share access

- It is standard business practice, recognised and supported by governments around the world, and widely regarded as highly beneficial to industry and consumers alike.
- Qantas is, and will continue to be a major investor in Australia's international and domestic markets, its tourism sector and the economy as a whole
 - Our investment continues to outstrip that of our competitors and is vital to the national interest as we open up new global hubs and invest billions of dollars in next generation aircraft.

Australia has a strong Qantas and it is disappointing that discussion, more often led by a small number of Australia's airports, continues to dismiss Qantas' significant and on-going contribution to the national economy and continues to question the adequacy of airline capacity despite the fact it is the only *Tourism 2020* metric on track to achieve its goals.

- The application of general economic theory to international aviation often ignores the most basic fact – aviation is one of the most regulated global industries and there is no free trade in aviation services.
- The discussion relies too heavily on an assumption Qantas, along with other major strategic airline investors in Australia's travel, trade and tourism sectors operate in an open, rational, transparent market for aviation services
 - Little could be further from the truth.

A critical but often missing element of this characterisation is the outcome of such a scenario and the ultimate risk of withdrawal of Qantas from the market, or its further marginalisation.

The notion that foreign carriers, many of which receive government subsidies and support, bankruptcy protection or are insolvent are deemed to be “efficient” is both instructive and concerning. Apart from an abstract theoretical view, there is no substantive description of the market absent Qantas other than a supposition a more competitive market would emerge.

A test of this is identifying the carriers which would assume the role of representing Australia’s national interest absent an actual Australian presence. Would it be those carriers which:

- Operate as instruments of state policy from outright government ownership or partial sovereign ownership;
- Receive Government support including in the event of financial distress or have access to financial support through interest-free loans;
- Have received government support even where government ownership is not present;
- Come from jurisdictions like the US which are ostensibly liberal but where highly restrictive inward investment rules protect national airlines, and where airlines receive explicit subsidy under the *Fly America Act* and *Chapter 11* bankruptcy protection to enable restructuring; or
- Are insolvent and would not be allowed to trade if they were Australian firms?

Since privatisation, Qantas has received no government support for its operations. In comparison, many carriers serving the Australian market are not subject to the competitive, financing and operational limitations of commercial entities and are much less motivated by rational, profit-maximising drivers:

- Instead, many are driven by the sovereign strategic goals of their owners, including the desire to maximise traffic through their hubs.

A forensic assessment of the commercial and financial fitness of many of the international carriers serving Australia would be instructive.

Does Australia receive benefit from Qantas?

Qantas is a major contributor to Australia’s economic wellbeing, employing more than 30,000 people, 93 percent of whom are based in Australia. The importance of Qantas is further outlined in the following attachments:

- Attachment 2 – Qantas Network, Alliances and Freight
- Attachment 3 – Qantas Group and the Australian economy –
 - The Qantas Group accounts for around one quarter of jobs directly supported by the aviation sector.
 - Over the last five years Qantas has paid close to AUD300 million in corporate taxes.
 - Qantas spends AUD6 billion a year purchasing products and services from 1,500 Australian producers of foods, wines and beverages.
 - The Qantas Group’s fleet numbers 303 aircraft, with an average age of 7.7 years.
 - Over the next 10 years, the Qantas Group has committed capital investment worth around USD17 billion (at list prices) in 123 aircraft.

- Qantas has made a substantial investment in hubs in the Americas including at Los Angeles, New York, Dallas/Fort Worth and in Santiago each of which is returning substantial dividends to the Australian economy.
- In addition to its hubs in the Americas, Qantas has a multi-billion dollar investment in the Sydney hub as well as hub investments in London, Dubai, Singapore, and Shanghai through its partnership with China Eastern.
- The scale and importance of these investments to the Australian economy are not matched by any other airline serving Australia.
- If Qantas' presence in this market was further marginalised, its contribution to the Australian economy would not be fully replicated.

Should Australia unilaterally deregulate and offer unreciprocated open skies agreements to all of our trading partners?

This proposition is based on a narrow and reductive understanding of the nature of international air services agreements and the underlying value of the rights, privileges and benefits exchanged by governments:

- In bilateral and multi-lateral regional free trade agreements, it is inconceivable that Australia would contemplate unilaterally conceding open access to the Australian market without balanced reciprocal access to the markets of our negotiating partners;
- It is by no means unusual for these agreements to be negotiated over many years before an acceptable balance is achieved; and
- It is by no means unusual for agreements to be signed with substantial unfinished business to be resolved, often over a period of years – a feature of the recent FTA's with the US, China and Japan.

The underlying principles for air services negotiations are no different:

- The value of access rights traded in air services agreements are measured in billions of dollars over time and are highly valued by negotiators around the world;
- These agreements move inevitably to increasingly liberal arrangements
 - This is clearly demonstrated in Australia's experience;
- National airlines and national economies benefit from access to global markets when complex rights are exchanged (as evidenced by the discussion earlier of the benefits derived at the UAE hubs; in contrast with Hong Kong and unilateral access provided under the CAD policies);
- Most agreements will provide a mix of access not just to the bilateral markets but also to third country markets;
- These agreements, like their trade counterparts, create wealth for the national economy and for Australian firms;
- Access to complex traffic rights is an essential element in making Australian carriers attractive to external investors;
- Australia's negotiators need leverage to ensure the national interest is maximised over time in air services agreements;
- To deny these benefits to the national economy and its airlines simply to satisfy an insatiable demand for throughput of some of Australia's monopoly airports would be without precedent in Australia's trade negotiations;
 - It would simply compound the situation that has evolved over the last decade by removing from Australia the ability to participate on equal terms in global markets.

Any proposition that such a decision would increase airline capacity operated to Australia is discussed below.

Will there be less capacity to/from Australia if Qantas withdrew or became increasingly marginalised and foreign carriers are not able to substitute because of the constraints of the bilaterals?

- Capacity is not constrained;
- There will be less capacity operated should Qantas retract as strategically positioned foreign carriers will not fully replace the 14 million seats operated by Australian carriers
 - Otherwise, observed market behaviour by a small group of carriers directed at achieving dominant positions in the Australia market makes little sense;
- The overriding objective of such strategies is never maintaining profligate, profitless capacity after a dominant position is achieved. The consequences of such an outcome for an already besieged tourism sector should be obvious;
- Foreign carriers would not and could not substitute the network and access outlined at Attachment 2;
- There will be less capacity to/from Australia if Qantas withdrew because within the constraints of the bilateral system, the third country carriers cannot freely enter bilateral markets;
 - Absent Australian carriers, routes become more valuable and there is no incentive for foreign governments under the direction of their national carriers to give or increase third country carrier access to the Australian market;
- In the market envisaged by some stakeholders there would be significantly less operators and less capacity
 - Profit would be returned to the aviation sector as the explicit subsidies to tourism and some of the airports are removed
 - but in the hands of foreign carriers, which employ only small numbers of Australians and have miniscule levels of infrastructure investment in Australia, little of that profit would be retained in the Australian economy; and
- Dominant carriers would be in such a powerful market position new entrants would struggle to gain a foothold to substitute fully for those which had departed or had been marginalised.

Flooding the market with capacity has failed to stimulate demand and consequently it must be anticipated that capacity will grow differently if market domination by a small number of carriers was achieved.

Market based policies are highly dependent on open, rational and transparent behaviour and firms entering and leaving as the market dictates without intervention by Governments

- None of this remotely describes international aviation.

Investment and competition policy

Australia remains a high cost economy. Producing goods and services in Australia has become increasingly expensive relative to other countries:

- Australia's competitiveness has improved little over the last decade and for Qantas, which operates extensively in both the domestic and international economies, this presents a number of challenges.

For the tourism sector it is equally true. Australia is ranked 11th by the World Economic Forum for tourism competitiveness but 137th in price competitiveness:

- This no doubt is a significant contributing factor for Australia's poor performance in attracting visitors despite record levels of airline capacity, unprecedented low airfares and billions of dollars of promotional activity.

Qantas is the largest private sector promoter of Australia and with our partners (including Emirates, American Airlines, China Eastern, China Southern, Japan Airlines and LATAM) we actively promote Australia across six continents.

The contribution of Australia's airlines to tourism dominates all other stakeholders:

- 35 percent of all international air travel and all but 100 percent domestic;
- Carry almost three times more traffic than our nearest international rivals; and
- Spend on infrastructure and promotion greater than tourism industry, any other sector of the economy, or foreign airlines.

Despite this contribution and investment, the interests of the Australian aviation sector are least valued in policy debates. Regardless of where the aviation debate rests, Australia cannot casually sit by and allow largely unstructured aviation markets to continue.

We are already seeing carriers rationalise the way they serve Australia amidst concern about declining yields:

- Continuing to flood the Australian market with capacity will compound the investment crisis in the tourism sector, contradict the national interest and is clearly not the answer to a complex policy challenge.

The often cited exchange rate effects on the broader economy and specifically the tourism industry while clearly relevant are not the cause of the underlying competitiveness problem, despite regular commentary to the contrary:

- In a recent report prepared for Qantas by Deloitte Access Economics (DAE), inbound arrivals and expenditure demonstrate relatively low levels of sensitivity to bilateral currency fluctuations.
 - On average, a 10 percent appreciation of the Australian dollar leads only to a 3 percent fall in arrivals and a 2 percent fall in expenditure.
- While outbound travel is sensitive to bilateral currency fluctuations, income growth is by far the more significant driver.
 - The Deloitte modelling suggests that only 18 percent of the growth in outbound travel across the whole of the last decade can be explained by exchange rate fluctuations.
- This modelling confirms early work undertaken by DAE, Tourism Research Australia, BITRE, and the then Department of Industry, Tourism and Resources.

The challenges faced by Qantas as a business domiciled in the Australian economy are compounded by the fact, readily conceded by the Government, that we do not compete on a level playing field:

- This is well documented and goes beyond high profile issues such as the *Qantas Sale Act* which continues to treat Qantas differently and detrimentally to our principal competitor in the domestic market – an extraordinary situation by any measure; and
- In international markets, we compete with airlines, sometimes insolvent, many of which are instruments of state policy, in a regulatory regime which prevents the free flow of investment capital.

It is not in Australia's interest to ignore the absence of a level playing field for Qantas and for some to argue perversely that solutions must be found, not by addressing these challenges as many other governments have, but by seeking to isolate Qantas in the policy debate

- Impediments that are in place for Qantas but are not present for our competitors must be addressed and removed in the national interest
- Attachments 2 and 3 to this submission illustrate in depth the contribution made by Qantas to the national economy.

As trade intensity increases across all sectors of the economy, regulation needs to reflect and adjust to the global context in which Australian businesses are operating. Other countries are making it easier for their industries to compete on the global stage while Australia's regulatory burden has typically increased, particularly in the last decade.

As a trade exposed business, Qantas does not want protection. However, we do need a level playing field or the closest that can be achieved within the bilateral framework:

- Australia's relatively small market size can be an impediment when competing globally. Qantas' alignment with partners with global reach is not only critical for Qantas, but makes delivery of on-going liberalisation easier for government.

Emphasis should be on delivering investment to ensure stable firms with jobs, growth and a skill base are retained in Australia:

- Substantial inward investment in our major domestic competitor has been predicated on this principle. Qantas must be able to form relationships that deliver those benefits while still domiciled in the Australian economy.

Across the globe, consolidation and alliances (including through equity) are measures increasingly being used by airlines, with the support of their regulators, to address and overcome – to the extent possible – the distortions in the international regulatory regime:

- Australian airlines must have similar opportunities as their international competitors in order to both maintain an effective presence in international markets and play a central, enabling role in the national economy.

It is possible to deliver policy reform and position the Australian aviation industry appropriately in the global aviation market, without cost and adverse impact to other sectors:

- However, it is not, as some commentators propose, a simplistic choice between having a contested market or having an Australian airline presence;
 - Australia has both and both can be efficient;
- In order to realise this outcome, the Government must revisit policy to ensure Australia's airlines can exploit investment opportunities from a strong, stable and predictable policy platform; and
- Such reform must be achieved without further degradation of the current environment, which would significantly reduce the attractiveness of Qantas to potential investors.

We support the Government's stated intention to progressively internationalise and deregulate the Australian economy:

- This will provide a unique opportunity to position Australian aviation industry in the global economy and align it with the Government's long term reform agenda.

The level playing field

Discussion on the level playing field, particularly in the public sphere, has focused primarily on the *Qantas Sale Act*. The issue is, however, more complex than that single piece of legislation:

- Other aspects of the regulatory environment also play a part in creating an unequal platform for Qantas and other Australian airlines and their competitors.

For example, in undertaking certain code sharing opportunities with other carriers, Qantas is subject to an approval process administered through the International Air Services Commission, in addition to the regular timetable filing process with the Australian Government:

- Yet in implementing the same types of code sharing propositions, foreign carriers – some of which carry the codes of as many as 16 international partner airlines – are simply required to complete a routine timetable filing.
- In contrast, Australian airlines are subject to complex scrutiny and on occasions unnecessary administrative burden in implementing code sharing proposals which comply fully with the very same air services agreements. Australian carriers must be afforded equal treatment with foreign carriers.

The national interest is best served by maximising Qantas' ability to compete on equal terms with its competitors in the global aviation industry:

- Qantas is undertaking a significant transformation program which will reduce our cost of doing business by AUD2 billion and improve our competitive position.
- Our inability to compete on equal terms comes at a cost both to Qantas and its shareholders and the national economy as we continue to operate below our full potential
- The government's support in removing some of the restrictions in the Qantas Sale Act and the removal of the Carbon Tax has made an important contribution to addressing some of our concerns but important work is still required to establish a genuine level playing field;
- We also welcome the Government's Red Tape Review, which has the potential to remove inefficient or inappropriate regulations which cost the Australian aviation industry tens of millions of dollars.

Airports

Under the current policy settings, only a small number of monopoly airports – which largely distribute rather than generate air travel – are direct beneficiaries of wealth transferred from airlines and domestic tourism:

- They possess disproportionate influence on policy without having any natural interest in supporting investment into high value adding tourism.

The practice of these airports to demand more capacity – despite knowing there is no supply side crisis – has its origins in the benefits they derive from the dual-till policy and passenger throughput to support retail activities.

Whilst the need for airports to generate profits in order to support future investment is legitimate, Government intervention through CAD has allowed excessive capacity increases to continue without considering all relevant players:

- Australian airlines and those airports that are dependent exclusively on domestic travel and the tourism industry must be allowed to participate in the market on equal terms.

Whether or not the *Tourism 2020* target of three million additional operated and utilised international seats is accurate or achievable will be determined by the market where open or highly liberal capacity arrangements are in place and have been for a number of years in all of Australia's major tourism source markets.

There is nothing to suggest that capacity targets cannot be met in the normal course of established arrangements under Australia's highly liberal policy settings. There is ample information available to commentators which describe the volume of capacity available in Australia's air services agreements; the singular lack of success capacity-led policies have had in attracting foreign visitors to Australia and the cost to the economy of surging outbound resident traffic which it has stimulated.

- The challenge rests not in airline capacity but in ensuring Australia can establish itself as a destination of first choice in an increasingly competitive global tourism market.

ATTACHMENT 1

Aviation and tourism industry data analysis

Deloitte Access Economics

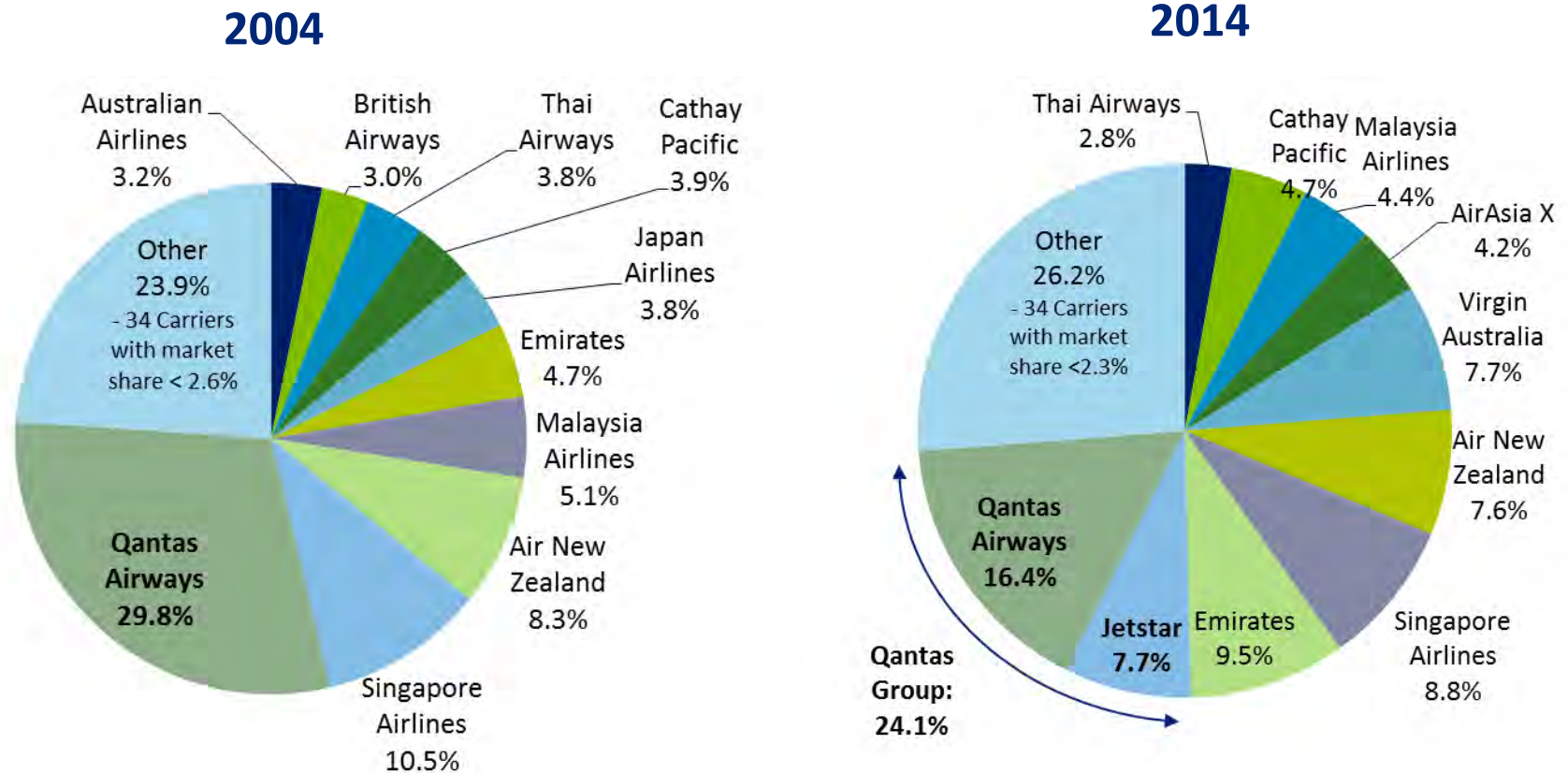
November 2014

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1. The international aviation market composition
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3. Economic issues facing the aviation and tourism industry
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5. International tourism trade balance
6. Western Australia: outbound visitors vs inbound residents
7. Aviation and tourism industry observations

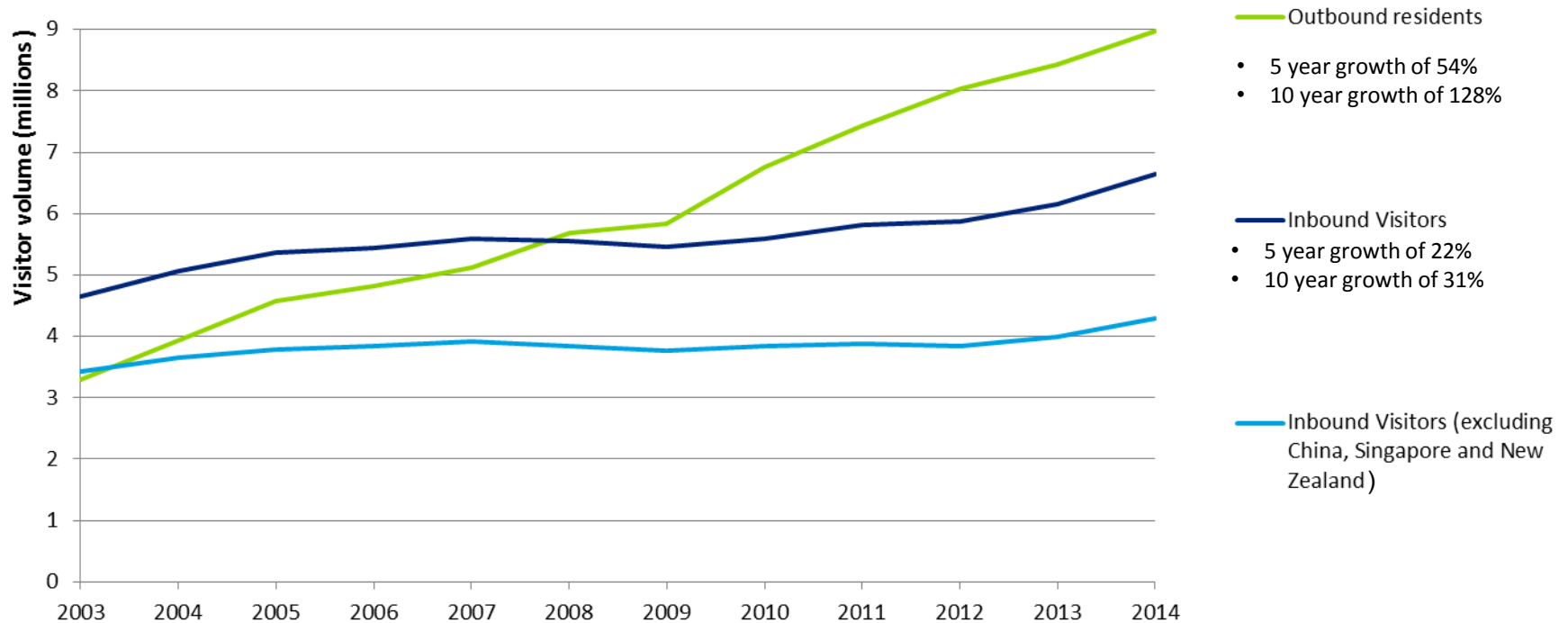
The international aviation market composition

International inbound/outbound market share (passenger movements)



Australian inbound/outbound tourism 2003-2014

International inbound visitors and outbound residents

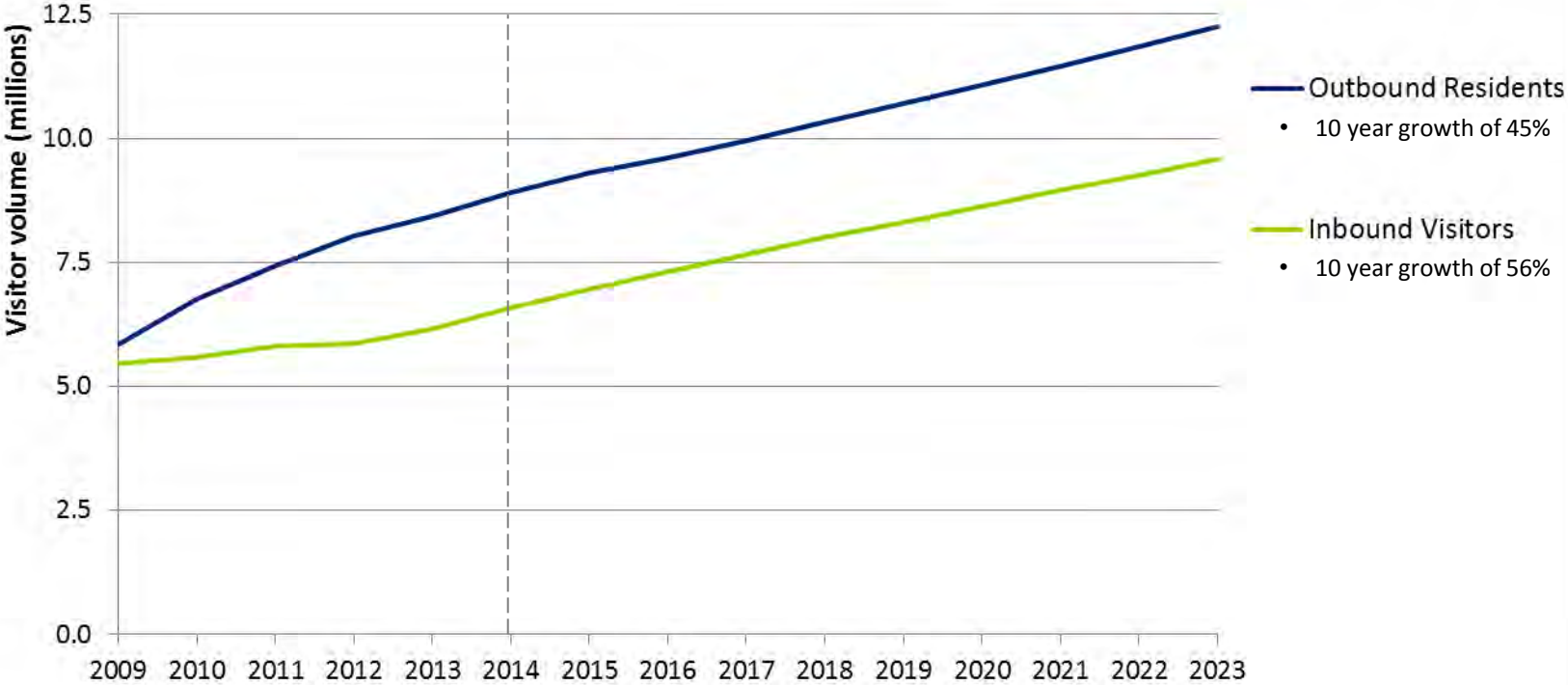


Aviation and tourism industry trends

Measure	Trend
Balance of tourism expenditure trade	<ul style="list-style-type: none"> • Negative since 2006, with an \$18 billion deficit in 2013 • Nominal outbound expenditure of \$229 billion between 2008-2013 • Nominal inbound expenditure of \$158 billion between 2008-2013
Domestic overnight expenditure	<ul style="list-style-type: none"> • \$53 billion in 2014, projected at \$55 billion in 2023 – 0.4% real growth p.a.
Investment	<ul style="list-style-type: none"> • 70% of total Australian tourism investment pipeline is accounted for by aviation - \$33 billion • 70% of the economic value added from tourism is derived from domestic travel
Destination promotion	<ul style="list-style-type: none"> • Over \$1.5 billion spent by Tourism Australia in past 10 years, plus state tourism bodies and marketing from businesses, while net tourism exports have deteriorated.

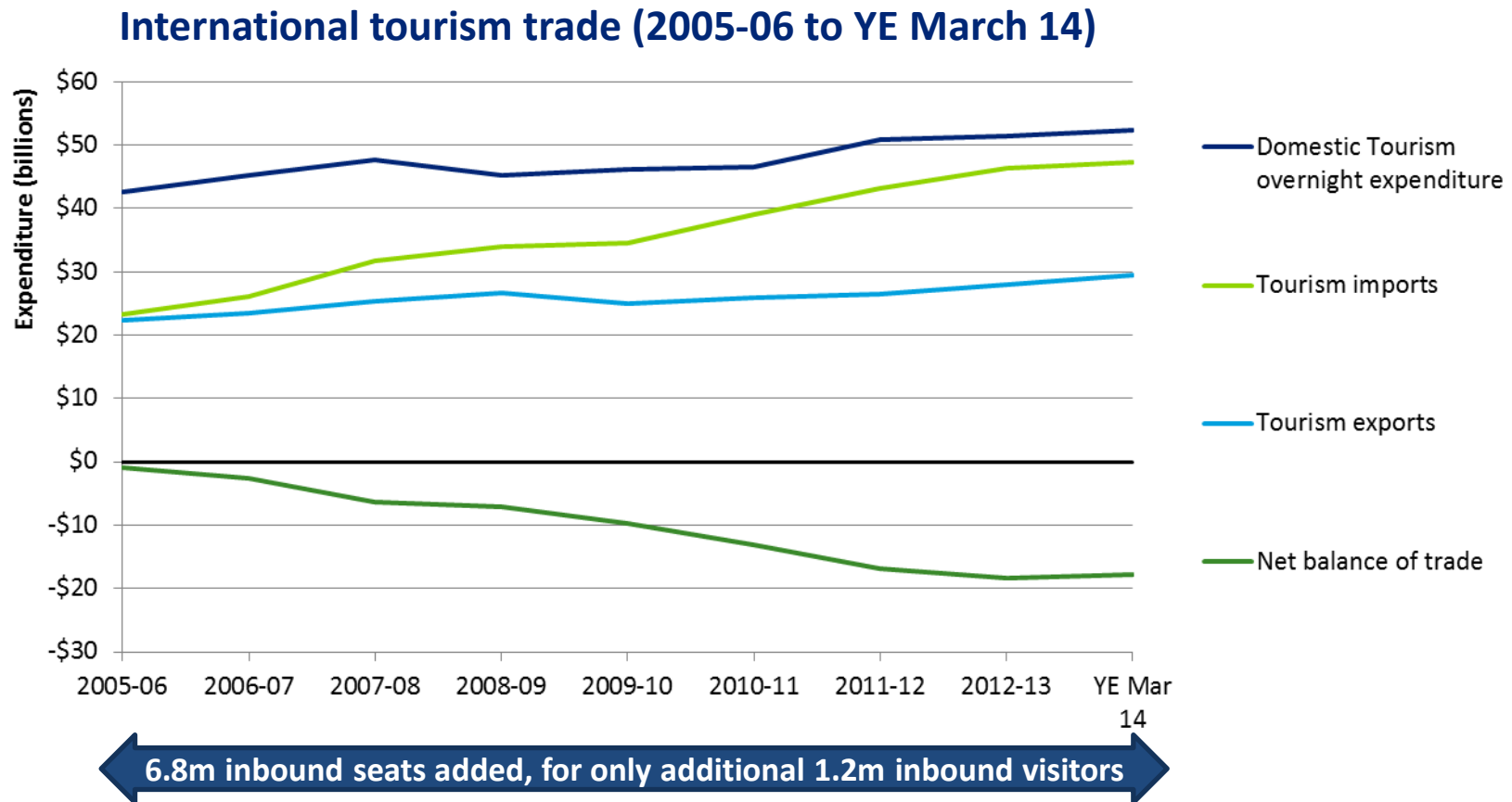
Forecast: Australian inbound tourism to 2023

International inbound visitors and outbound residents



Source: TRA Tourism Forecasting Committee data. Years are end June

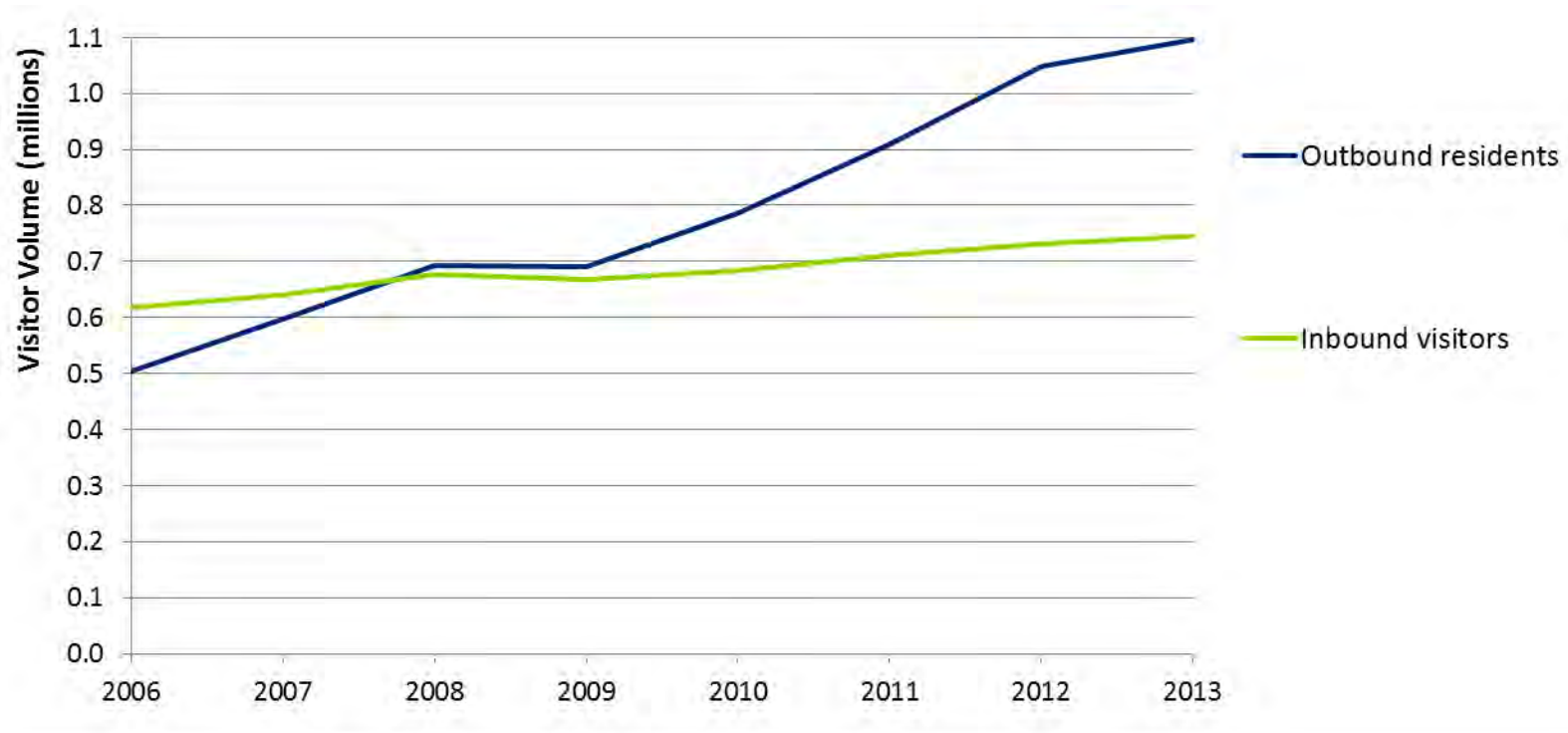
International tourism trade balance



Source: TRA IVS & NVS data, BITRE air capacity data. Years are end June, except for final YE March, due to data availability. Dollars are in nominal terms. Seat volumes and inbound visitor volumes are the difference between YE June 2006 and YE June 2014.

Western Australia: Outbound vs Inbound tourism

Inbound visitors and outbound residents to Western Australia



Aviation and tourism industry observations

- In late 2007, the number of outbound Australian resident departures surpassed inbound International visitor arrivals. Since then, outbound travel has grown at **four times the rate** of inbound visitor arrivals.
- The last decade saw Australian outbound travel to the top 7 destinations increase by 2.8m. **This was 1.3m more** than the increase in inbound visitors.
- Comparing 2013/14 to 2005/06, international capacity of **6.8m inbound seats has been added**, for only an additional 1.2m inbound visitors.
- Over the same period, the accumulated balance of **tourism trade deficit is \$98 billion** in real terms.
- Forecast real inbound expenditure in 2023 is \$43 billion, below the \$48 billion spent by Australian residents overseas in 2014. Projections show outbound expenditure likely **to exceed \$58 billion** in 2023.
- The current expenditure trend is **tracking below the Tourism 2020** stretch target trend.



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ATTACHMENT 2



Qantas Network, Alliances and Freight

OCTOBER 2014

QANTAS TO NORTH AMERICA:

Unmatched coverage with our partners

120+
Codeshare
city pairs

American Airlines
Connects within
4 hrs → over 170 flights
(via LAX and DFW gateways)

LOS ANGELES

28 QF flights
per week
10 codeshare
flights per week
via PPT (Tahiti)
and NAN (Fiji)

HONOLULU

3 flights
per week
Increasing to 4 flights
per week from
3 January 2014

Jetstar
8 flights
per week

DALLAS/ FORT WORTH

6 QF flights
per week
All A380 services

NEW YORK JFK

7 QF flights per
week via LAX

Our codeshare partners

American Airlines

Alaska Airlines **WESTJET**



Complimentary
oneworld global
support* services
offered at LAX,
DFW and JFK

*Subject to operational
constraints



Network

Qantas is the only airline to offer a morning, midday and evening departure from Australia to the United States. With our partners, there is more choice than ever before when flying to destinations across North America.



Award-winning A380 aircraft

Qantas is the only carrier to operate the award-winning A380 aircraft between Australia and the United States.



Los Angeles Business Lounge

Enjoy a new standard of luxury and convenience at the Los Angeles Business Lounge where eligible Qantas passengers can relax, work and dine prior to their flight.



Loyalty

Be rewarded. Qantas Frequent Flyer members can earn and use Qantas Points on eligible Qantas flights within and between Australia and North America.



FREQUENT
FLYER

Qantas to North America

North America network and destinations

Qantas offers **unmatched coverage** from Australia to North America via our **four key gateway cities: Los Angeles, Dallas/Fort Worth, New York and Honolulu.**

Qantas offers twice-daily services to Los Angeles from Sydney and daily services from Brisbane and Melbourne on B747 and A380 aircraft. Additionally, Qantas offers 6 flights per week to Dallas/Fort Worth—all A380 services. Qantas connects to over **120 city pairs** across **North America, Canada and Mexico** with codeshare partners American Airlines, Alaska Airlines and WestJet.

From Dallas/Fort Worth—American Airlines' hub—**Qantas connects within 4 hours to over 130 flights within North America alone.** Business-friendly schedule with early morning arrivals/late departures at LAX. **American Airlines/US Airways merger** creating the world's largest airline with nearly **6,700 daily flights to more than 330 destinations** in more than **50 countries.**

Codeshare partner **Alaska Airlines** offers additional coverage of **North America's West Coast via Los Angeles** including destinations such as Anchorage, Seattle and Vancouver. With codeshare partner **WestJet**¹, customers can connect to Canada's key domestic hubs—Vancouver, Calgary, and Edmonton—within 4 hours of arriving into Los Angeles or Honolulu on a Qantas International flight. Within Canada, Qantas customers can access 20 codeshare city pairs. **Qantas** codeshares on **Jetstar services** to Honolulu to complement Qantas three flights per week from Sydney².

¹ Available for sale from 1 October 2014. Subject to regulatory approval.

² Increasing to 4 flights per week from 20 December 2014.

³ For terms and conditions visit qantas.com.au/travel/airlines/airport-lounges/global/en

Correct as at October 2014

North America fleet and product

Qantas is the only carrier to operate the **award-winning four cabin A380 aircraft** between Australia and the United States, providing a **world-class flying experience** with award-winning business seats. Qantas is also the only carrier to provide a journey of **unsurpassed luxury** with our **First** cabin between Australia and North America.

Qantas services offer **unrivalled personal service**, award-winning food and wine, on-demand inflight entertainment and a checked baggage allowance for all customers.

At our **new Los Angeles Business Lounge**, eligible³ passengers will enjoy features such as a communal fireplace, a central glass atrium and Qantas Chef Neil Perry-designed menus inspired by multicultural California. Eligible³ passengers can also enjoy the extensive American Airlines lounge network.

All transcontinental LAX and SFO to JFK services are operated by American's A321T service. American is the only airline to offer a three class service with both First and Business class offering lie-flat beds on these brand new aircraft.

American Airlines has embarked on a large-scale **fleet renewal and product transformation program** including the **world's largest order of aircraft** with nearly 600 narrow-body Boeing 737-800s and Airbus A321T/A321 and A319. All new deliveries have **inflight wi-fi, seatback IFE, leather seats** in all cabins (except A321T) and **in-seat power.**

Frequent Flyer

Membership has many benefits, making every trip rewarding.

- Earn and redeem **Qantas Points** on eligible⁴ Qantas flights between Australia and Honolulu, Los Angeles, Dallas and New York.
- Earn **Status credits** on all eligible⁴ Qantas flights which count towards your membership Status and more privileges.
- Earn and redeem on eligible⁴e flights and fares with our partners American Airlines and Alaska Airlines to more than 100 destinations within North America.

When travelling beyond the Qantas-operated network on codeshare flights (with a QF flight number) operated by American Airlines, Alaska Airlines and WestJet, Frequent Flyer's can:

- Earn **Qantas Points** and **Status credits** at the same rate as flying on a Qantas aircraft.
- Enjoy Qantas lounge access if travelling on an eligible flight³.

oneworld

As **oneworld** members, Qantas and American Airlines customers enjoy the additional benefit of **oneworld Global Support teams** at Los Angeles, Dallas and New York.

oneworld Global Support teams proactively monitor connecting flights for Qantas customers. The support team will endeavour to assist disrupted passengers successfully meet their connections and have baggage transferred to its final destination.

This service is also available in Miami and Chicago O'Hare.



⁴ An eligible flight for the purpose of this promotion means any flight with a QF flight number on your ticket where Status Credits or Qantas Points are normally earned. Status Credits and Qantas Points may not be earned on some fare types and booking classes. Please visit qantas.com.au/terms

QANTAS TO SOUTH AMERICA:

Santiago—The perfect gateway to South America

10* flights per week to Santiago from Sydney with Qantas and partner LAN



Via our partners





110 Interline destinations throughout South America

SANTIAGO

3* direct QF flights per week
QF codeshares with LAN on 7 flights per week via Auckland

*Qantas' SYD-SCL services increasing to 4 per week from November 2014 (11 flights in total when combined with codeshare services on LAN)

6 codeshare destinations on oneworld partner LAN including Lima, Rio de Janeiro and Sao Paulo



Fleet
Qantas operates B747 aircraft to Santiago fitted with A380 interiors including the award-winning fully-flat Skybed in Business, an exclusive Premium Economy cabin and spacious and comfortable seats in Economy.



Network
Together with partners LAN and TAM, Qantas has every key domestic market in South America covered with 110 interline destinations and 6 codeshare destinations including Lima, Rio de Janeiro and Sao Paulo.



Lounges
Eligible Qantas customers can work, relax and dine prior to their flights in exceptional world-class First and Business Lounges in Sydney, enjoy an extensive lounge network across South America including LAN VIP lounge and American Airlines' Admirals Club in Santiago.



Loyalty
Be rewarded. Qantas Frequent Flyers can earn and redeem Qantas Points, plus earn Status Credits on eligible flights between Australia and South America and anywhere LAN and TAM fly throughout South America and beyond.



FREQUENT FLYER 



Qantas to South America

Network

Qantas offers the only non-stop route between Australia and South America and when complemented by oneworld partners LAN and TAM, offers unrivalled coverage within South America.

In addition to Qantas' 3* flights per week direct to Santiago, Qantas codeshares on LAN's daily services from Sydney to Santiago via Auckland. Qantas and LAN's schedule offers customers the option of an afternoon or evening departure from Santiago on 3* days per week.

Qantas codeshares on LAN to 6 key South American destinations including Lima, Rio de Janeiro, Sao Paulo, Antofagasta, La Serena and Punta Arenas, with an additional **110 interline destinations** across the continent with our oneworld partners, LAN and TAM.

The LATAM airlines group, including LAN and TAM, offer the largest network in South America, providing unmatched coverage and all the benefits of oneworld for Qantas customers travelling in the region.

Qantas customers can access fares to **South America via North America**, utilising oneworld partners American Airlines, LAN and TAM through the key hubs of Los Angeles, Dallas, New York or Miami, giving customers the option to **triangulate** (for example, travel via North America in one direction, and non-stop from Santiago in the other direction).

Customers can also access oneworld **Circle Pacific fares**, for travel which includes each of Australia, South America, North America and Asia, utilising any of our oneworld partners.

Fleet

Customers on the Qantas operated Sydney to Santiago flight enjoy an exceptional customer experience on our refitted Boeing 747-400 aircraft, which has been aligned with our flagship **A380 offering**.

Customers in Business enjoy cabin mood lighting and the award-winning **fully-flat Skybed** with a mattress and duvet and the added comfort of pyjamas and amenity kits. Customers in Economy enjoy a custom-designed seat featuring a unique footrest net and ergonomic cushioning as well as a self-service snack bar.

LAN's award-winning Premium Business Class also offers fully-flat seats on their A340 operated Sydney-Auckland-Santiago, whilst Economy passengers enjoy ergonomically designed seats that give a more reclined feel. Within South America, LAN and TAM operate young fleets of A321, A319 and A320 aircraft.

Lounges

The experience begins with Qantas' exceptional Business and First lounges in Sydney for eligible¹ Qantas customers. The award winning First lounge offers unsurpassed luxury including the Aurora Spa, a la carte dining and concierge service.

Eligible¹ customers can also access the American Airlines Admirals Club and LAN VIP lounges when travelling on oneworld airlines (including Qantas, LAN, TAM, and American Airlines) in South America.

South America to Asia simplified with Sydney Connect

Qantas provides accommodation in Sydney for eligible² customers whose itineraries are originating in South America and include a transit of between 8 and 24 hours between Qantas operated services from Santiago to Qantas destinations in Asia.

Frequent Flyer

Benefits of membership:

- Earn and redeem **Qantas Points** on eligible³ Qantas flights between Australia and Santiago.
- Earn and redeem Qantas Points on eligible³ flights throughout South America with **partner airlines** LAN and TAM.
- Earn **Status Credits** on eligible³ Qantas, oneworld alliance airlines and Qantas codeshare flights (with a QF flight number) which count towards your tier status and more privileges.

When travelling beyond the Qantas-operated network on codeshare flights (with a QF flight number) operated by LAN, Frequent Flyers can:

- Earn **Qantas Points** and **Status Credits** at the same rate as flying on a Qantas aircraft.
- Enjoy Qantas lounge access if travelling on an eligible flight³.

* Qantas' SYD-SCL services increasing to 4 per week from November 2014 (11 flights in total when combined with codeshare services on LAN).

¹ For terms and conditions visit qantas.com.au/travel/airlines/airport-lounges/global/en

² For terms and conditions visit qantas.com.au/travel/airlines/sydney-connect/am/en#confirmation

³ An eligible flight for the purpose of this promotion means any flight with a QF flight number on your ticket where Status Credits or Qantas Points are normally earned. Status Credits and Qantas Points may not be earned on some fare types and booking classes. Please visit qantas.com.au/terms

Correct as at October 2014



Unrivalled coverage from Australia with our partners

The only Australian carrier offering direct flights to **5 major cities** across Greater China

Together with its airline partners Qantas offers **flexible itineraries** removing the need to back track

Via our codeshare partners



中國東方航空
CHINA EASTERN
CHINA SOUTHERN
中華航空
CHINA AIRLINES

11 codeshare destinations via Shanghai on partner China Eastern and **4** via Guangzhou on partner China Southern
22 interline destinations via Hong Kong on partners Cathay Pacific and Dragon Air



Complimentary oneworld global support* services offered at HKG
*Subject to operational constraints



FREQUENT FLYER 



Network
Qantas offers unrivalled gateway options servicing China and beyond through partnerships with four of the leading carriers in Greater China.



Inflight
Qantas operates a mix of B747 aircraft reconfigured with award-winning A380 product and A330 aircraft (refurbished A330-300 aircraft coming soon) on services to Hong Kong and Shanghai.



New Qantas Hong Kong Lounge
Experience unsurpassed luxury in the new Qantas Hong Kong Lounge, where eligible Qantas passengers can relax, work and dine prior to departure.



Loyalty
Be rewarded. Qantas Frequent Flyer members can earn and redeem Qantas Points and earn Status Credits on eligible Qantas flights within and between Australia and Greater China.



Qantas to Greater China

Hong Kong, gateway to North Asia

Qantas offers a comprehensive network between Australia and Hong Kong including daily services from Sydney, Melbourne and Brisbane.

Schedules are well suited to corporate travelers with evening arrivals in Hong Kong and morning arrivals back in Australia, providing seamless transfers to North Asia markets with Through Check-In and no requirement for customs clearance.

There are numerous time saving connection opportunities using **oneworld** partners Cathay Pacific and Dragonair offering an expansive partner network of 22 cities across China, complemented with interline partners China Eastern and Air China.

Hong Kong Lounge

The new Qantas Hong Kong Lounge offers customers a luxurious pre-flight experience with stylish and contemporary interiors reflecting the colour, vibrancy and luxury of Hong Kong.

Eligible¹ passengers can enjoy classics from Qantas Chef Neil Perry's Rockpool and Spice Temple restaurants with regionally inspired Asian flavours and ingredients.

In-Town Check-in with bag drop at Hong Kong station

Qantas has now made checking-in easier with the introduction of free In-town Check-in at MTR Airport Express which is available at Hong Kong Central and Kowloon stations.

Simply proceed to check-in at either of the MTR stations during the opening hours of 8am to 6pm daily. Boarding passes need to be collected on the day of departure, at least 90 minutes before take-off.

¹ For terms and conditions visit qantas.com.au/travel/airlines/qantas-club-loungeaccess/global/en

Shanghai, Guangzhou and Taipei

Qantas operates **direct daily services between Sydney and Shanghai** with evening arrivals in Shanghai and early morning arrivals in Sydney, well suited for corporate travel.

With codeshare partner **China Eastern**, Qantas customers have the option to travel on direct daily services between Melbourne and Shanghai, as well as three return services per week on the Sydney–Nanjing–Beijing route.

Beyond Shanghai, customers have seamless access to **11 China Eastern codeshare destinations** within China including Beijing, Chengdu, Dalian, Fuzhou, Guangzhou, Harbin, Kunming, Nanjing, Qingdao, Shenyang, and Xian.

Further options for travel to Shanghai include:

- Via Singapore with daily flights to Shanghai operated by codeshare partner China Eastern.
- Via Hong Kong with daily connections to Shanghai.

Guangzhou

Qantas codeshares on **31 direct return China Southern services** each week between Sydney, Melbourne, Brisbane and Perth to Guangzhou.

Guangzhou is a **gateway to southern and western mainland China** with Qantas codeshare connections to Xiamen, Fuzhou, Kunming and Urumqi.

Taipei

Qantas provides codeshare services directly to Taipei from Sydney and Brisbane with China Airlines.

Qantas group airline Jetstar Asia provides daily codeshare connections to Taipei via Singapore.

Frequent Flyer

Membership has many benefits, making every trip rewarding.

- Earn and redeem **Qantas Points** on eligible² Qantas flights between Australia and Shanghai and Hong Kong.
- Earn **Status Credits** on all eligible² Qantas flights which count towards your membership Status and more privileges.
- Earn and redeem on eligible² flights and fares with our partners, China Eastern, Cathay Pacific and Dragonair.
- Members can also earn on eligible flights on China Southern and China Airlines with a QF flight number.

When travelling beyond the Qantas-operated network on codeshare flights (with a QF flight number) operated by China Southern, China Eastern and China Airlines, Frequent Flyers can:

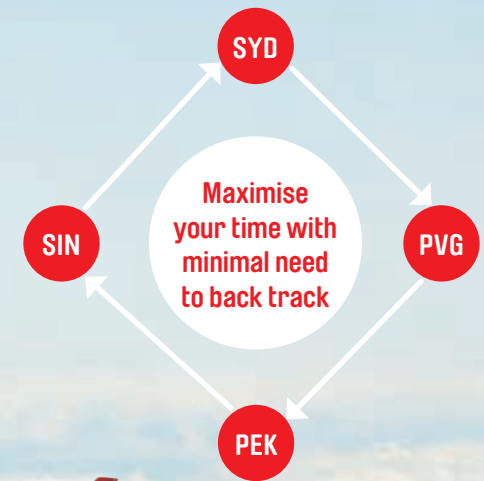
- Earn Qantas Points and Status credits at the same rate as flying on a Qantas aircraft.
- Qantas lounge access if eligible² and when your Qantas Frequent Flyer number is in your booking.

oneworld

As **oneworld** members, Qantas customers enjoy the additional benefit of **oneworld** Global Support teams at Hong Kong.

oneworld Global Support teams proactively monitor connecting flights for Qantas customers.

The support team will endeavor to assist disrupted passengers successfully meet their connections and have baggage transferred to its final destination.



² An eligible flight for the purpose of this promotion means any flight with a QF flight number on your ticket where Status Credits or Qantas Points are normally earned. Status Credits and Qantas Points may not be earned on some fare types and booking classes. Please visit qantas.com.au/terms

Correct as at October 2014

ASIA PART 2 – QANTAS TO REST OF ASIA:

More Asian cities served directly from Australia with extensive connections beyond



oneworld
Complimentary oneworld global support* services offered at Narita
*Subject to operational constraints



Network
Whether for business or leisure, travelling across Asia is made easy with Qantas and our partners offering more choice than any other carrier out of Australia.



New A330 Business
Travellers can look forward to the best in-class experience on services to Asia with the introduction of refurbished A330-300 aircraft coming soon.



New Qantas Singapore Lounge
Eligible customers can enjoy the recently opened Qantas Singapore Lounge, offering a new standard of luxury for our customers travelling through Singapore.



Loyalty
Be rewarded. Qantas Frequent Flyer members can earn and redeem Qantas Points and earn Status Credits on eligible Qantas flights within and between Australia and Asia.



¹SriLankan Airlines codeshare subject to regulatory approval. Available for sale from 26 October 2014.



Qantas to Asia

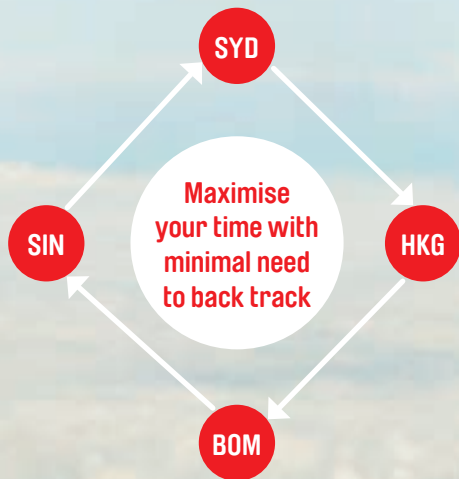
Qantas to Asia

Qantas flies direct to more Asian cities from Australia than any other carrier. With our codeshare partners, Qantas offers non-stop flights to 17 key Asian cities.

Qantas and partner airlines provide multiple options beyond the gateways with onward connections to over 40 codeshare city pairs across Asia.

Qantas' presence in key gateways ensures the highest levels of customer service both in the air and on the ground.

Travellers can also look forward to the best in-class experience on services to Asia with the introduction of refurbished A330-300 aircraft coming soon. The new innovative Business Suites which include fully-flat beds that can be left in a recline position for take-off and landing, will be a key point of difference between Qantas and other carriers flying into Asia.



Singapore

Singapore is Asia's predominant hub. Qantas operates twice daily flights from Sydney and daily flights from Melbourne and Brisbane.

Qantas' schedules are well-suited to the corporate market both for travelers flying to Singapore and those with onward connections into Asia with our partners.

Connect to Singapore-based Jetstar Asia, using Qantas codeshares to Kuala Lumpur, Bangkok, Phuket, Ho Chi Minh, Penang, Jakarta, Denpasar, Surabaya and Taipei.

Additional options in and out of Australia exist with Qantas' codeshares on Jetstar Asia services including Perth and Darwin to Singapore.

The Qantas Singapore Lounge

Eligible customers² can enjoy the recently opened award-winning Qantas Singapore Lounge, offering a new standard of luxury for our customers travelling through Singapore. Combined with through-check to multiple destinations, this allows for a comfortable and seamless transit.

The lounge reflects the heart of Singapore, a vibrant and exciting space that celebrates the local scene. You can enjoy the best of the service currently offered by Sofitel in our flagship First lounges in Sydney and Melbourne, and an enhanced dining experience featuring Qantas Chef Neil Perry's Spice Temple inspired dishes and signature cocktails.

Additionally the Singapore lounge gives customers the choice of dining on the ground to maximise sleep onboard.

² For terms and conditions please visit qantas.com.au/travel/airlines/qantas-club-lounge-access/global/en

Correct as at October 2014

Japan

Qantas offers daily flights from Sydney to Tokyo (Narita).

Jetstar also offers flights from Melbourne (4 per week), Cairns (daily) and Gold Coast (daily) to Tokyo (Narita) as well as daily flights from Cairns to Osaka.

Qantas offers additional options to Tokyo (Narita and Haneda) via Singapore with codeshare partner Japan Airlines.

Jetstar Japan and oneworld partner Japan Airlines offer extensive domestic networks servicing all key Japanese cities.

Indonesia and Timor-Leste

Qantas operates 4 flights per week to Jakarta from Sydney.

Jetstar operates services to Bali from Sydney, Melbourne, Brisbane, Adelaide, Perth and Darwin.

Qantas also codeshares from Singapore to Surabaya, Jakarta and Denpasar on Jetstar and Jetstar Asia.

The East Timor capital of Dili can be reached with Qantas codeshare on Airnorth from Darwin.

Thailand

Qantas operates daily flights from Sydney to Bangkok, with onward connections to codeshare partner Bangkok Airways to key markets Phuket, Chiang Mai, Chang Rai, Koh Samui and Krabi.

Also, Qantas codeshares from Sydney and Melbourne to Phuket with Jetstar, from Singapore to Phuket and Bangkok with Jetstar Asia, and from Singapore to Ko Samui with Bangkok Airways.

Eligible² passengers can enjoy Qantas lounge facilities in Bangkok and Singapore.

Philippines

Qantas offers 4 flights per week from Sydney to Manila.



Qantas to Asia

India and Sri Lanka

Qantas codeshares on India's leading private airline Jet Airways to Delhi and Mumbai via Qantas' gateways, Singapore and Hong Kong.

These services are complemented by interline options to Chennai, Hyderabad, Kolkata, Goa, Bengaluru, Ahmedabad and Jaipur with Jet Airways and Air India.

Jet Airways offers exceptional onboard comfort in premium cabins.

Qantas codeshares to Colombo via Singapore with partners Emirates and SriLankan Airlines.

Further options to Sri Lanka are available for passengers connecting from Qantas flights into Bangkok, Hong Kong and Singapore with **oneworld** partners Cathay Pacific and SriLankan Airlines.

Korea

Qantas offers 7 direct codeshare services per week to Seoul on codeshare partner Asiana. Asiana is a 5-star Skytrax rated airline, operating the latest generation 777 aircraft with fully-flat beds in Business.

Vietnam

Qantas codeshare partner Vietnam Airlines provides 7 flights per week to Ho Chi Minh City from both Sydney and Melbourne.

Vietnam Airlines offer passengers full-service experience on a modern Airbus 332 fleet.

Qantas also offers codeshare connections via Singapore on Jetstar Asia, with the additional option of using interline partner Jetstar Pacific to/from Ho Chi Minh City.

Jetstar Pacific offers domestic connections to key cities within Vietnam.

Malaysia

Qantas codeshares on Emirates' daily direct services between Melbourne and Kuala Lumpur.

Qantas also codeshares to Kuala Lumpur and Penang, via Singapore with Jetstar Asia.

Frequent Flyer

Membership has many benefits, making every trip rewarding.

- Earn and redeem **Qantas Points** on eligible³ Qantas flights between Australia and Asia.
- Earn **Status Credits** on all eligible³ Qantas flights which count towards your membership Status and more privileges.
- Earn and redeem on eligible³ flights and fares with our partners, Cathay Pacific, Japan Airlines, Malaysia Airlines, SriLankan Airlines, Jet Airways, Emirates and Airnorth.
- Members can also earn on eligible³ flights on Asiana, Vietnam Airlines and Bangkok Airways with a QF flight number.

When travelling beyond the Qantas-operated network on codeshare flights (with a QF flight number) operated by Airnorth, Asiana, Bangkok Airways, Emirates, Japan Airlines, Jet Airways, SriLankan Airlines¹ and Vietnam Airlines, Frequent Flyers can:

- Earn Qantas Points and Status credits at the same rate as flying on a Qantas aircraft.
- Enjoy Qantas lounge access if travelling on an eligible flight².

oneworld

As **oneworld** members, Qantas customers enjoy the additional benefit of **oneworld** Global Support teams at Tokyo's Narita airport.

oneworld Global Support teams proactively monitor connecting flights for Qantas customers.

The support team will endeavor to assist disrupted passengers successfully meet their connections and have baggage transferred to its final destination.



¹ SriLankan Airlines codeshare subject to regulatory approval. Available for sale from 26 October 2014.

² For terms and conditions qantas.com.au/travel/airlines/airport-lounges/global/en

³ An eligible flight for the purpose of this promotion means any flight with a QF flight number on your ticket where Status Credits or Qantas Points are normally earned. Status Credits and Qantas Points may not be earned on some fare types and booking classes. Please visit qantas.com.au/terms

Correct as at October 2014

QANTAS TO THE UK AND EUROPE:

More choice than ever before with our partners



Network and Fleet

More choice than ever before when flying from Australia to destinations across the UK and Europe.



Chauffeur Drive

Enjoy the luxury of a complimentary Chauffeur transfer; available to Qantas' First and Business customers travelling on Qantas and Emirates flights from Sydney and Melbourne to Dubai and London.



Lounges

Eligible passengers enjoy a premium lounge experience through Sydney, Melbourne, Dubai and London.



Loyalty

Be rewarded. Qantas Frequent Flyer members can earn and redeem Qantas Points, plus earn Status Credits on Qantas and codeshare flights between Australia and UK and Europe.

40
codeshare
destinations

Via our codeshare partners



LONDON HEATHROW

QF codeshares with British Airways on 117 flights per week to 8 destinations



Complimentary oneworld global support* services offered at LHR
*Subject to operational constraints

14 Qantas operated flights per week to London from Sydney and Melbourne—all A380 aircraft

84 Qantas codeshare flights per week from Sydney, Melbourne, Perth, Adelaide, and Brisbane connecting to UK and Europe

DUBAI
QF codeshares with Emirates on 400 flights per week to 31 destinations

SINGAPORE
QF codeshares with Finnair on 7 flights per week to Helsinki



FREQUENT FLYER

Qantas to UK and Europe

Network and Schedule

Qantas operates 2 daily services into London, from Sydney and Melbourne via Dubai with the **award-winning A380 aircraft**. Through Qantas' partnership with Emirates, Qantas offers a total of **98 weekly services** between Australia (including Perth, Brisbane, and Adelaide) and Dubai.

Business-friendly schedule from Sydney with early morning arrivals into London on QF1 and evening departure on QF2 from London.

With evening departures from Melbourne, Qantas' QF9 **connects seamlessly to 18 UK and European destinations** within four hours of landing in Dubai, many connecting within two hours.

Together with Emirates, Qantas offers **one-stop** connections to over 30 European destinations, meaning passengers have more choice than ever before between Australia and Europe — complemented by multiple intra-Europe connections with **oneworld** partners.

Lounges and Additional Services

The experience begins with Qantas' exceptional Business and First lounges in Sydney and Melbourne for eligible¹ Qantas passengers. The award-winning First Lounges offer **unsurpassed luxury** including the Aurora Spa, full dining experience and concierge service.

Emirates' First and Business Class lounges in Dubai's Terminal 3 provide state-of-the-art facilities including **direct boarding** to the Concourse's 20 dedicated A380 gates.

Eligible² Qantas and **oneworld** members have access to London Heathrow's American Airlines and British Airways lounges, complimented by multiple **oneworld** member lounges in selected destinations when travelling on **oneworld** flights across Europe.

Chauffeur Drive—First and Business passengers travelling to Dubai and London are offered an extra level of convenience with luxury chauffeur transportation to and from select airports³ in Australia, NZ, UK, Europe and the Middle East.

Dubai Connect—Qantas will provide accommodation, meals, and ground transportation for some customers whose itineraries involve a longer transit between Qantas and Emirates flights in Dubai.

Frequent Flyer

Membership has many benefits, making every trip rewarding.

- Earn and redeem **Qantas Points** on eligible⁴ Qantas flights between Australia and UK/Europe.
 - Earn and redeem Qantas Points on eligible⁴ flights and fares throughout UK and Europe with our **partner airlines** Airberlin, British Airways, Aer Lingus, Alitalia, El Al, Emirates, Finnair, Iberia and S7.
 - Earn **Status Credits** on all eligible⁴ Qantas, **oneworld**, and codeshare flights which count towards your tier status and more privileges.
- When travelling beyond the Qantas-operated network on codeshare flights (with a QF flight number) operated by British Airways, Emirates and Finnair, Frequent Flyers can:
- Earn **Qantas Points** and **Status credits** at the same rate as flying on a Qantas aircraft.
 - Enjoy Qantas lounge access if travelling on an eligible flight³.

oneworld

As **oneworld** members, Qantas customers enjoy the additional benefit of **oneworld Global Support teams** at London Heathrow (and Madrid).

oneworld Global Support teams proactively monitor connecting flights for Qantas customers. The support team will endeavor to assist disrupted passengers successfully meet their connections and have baggage transferred to its final destination.



¹ For terms and conditions please visit qantas.com.au/travel/airlines/qantas-club-lounge-access/global/en

² For terms and conditions please visit qantas.com.au/travel/airlines/chauffeur-drive-terms/global/en

³ For terms and conditions please visit qantas.com.au/travel/airlines/dubai-connect/global/en

⁴ For terms and conditions please visit qantas.com.au/terms

Correct as at October 2014

QANTAS TO AFRICA AND THE MIDDLE EAST :


One stop to Africa and the Middle East via Dubai and Johannesburg gateways

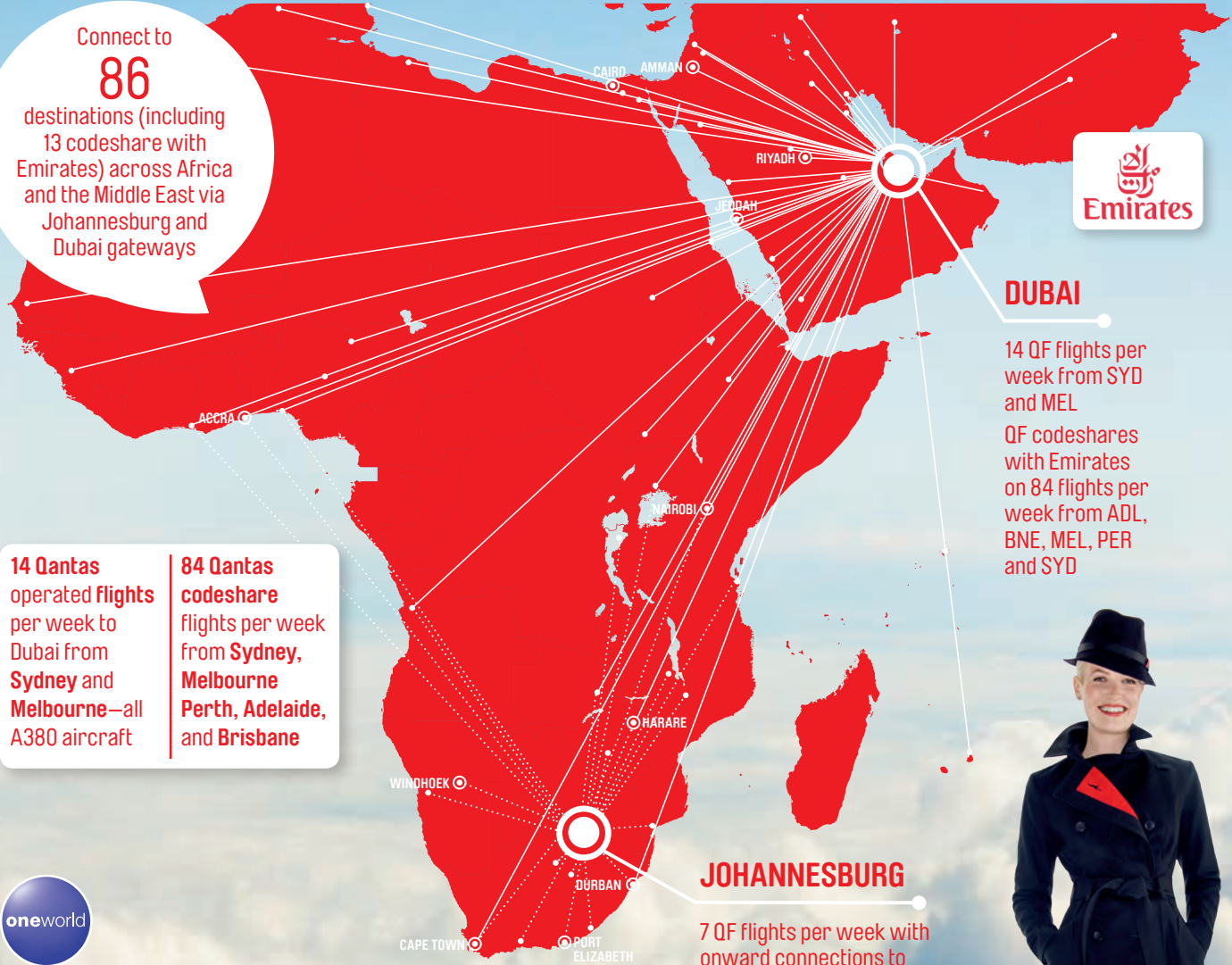
Connect to **86** destinations (including 13 codeshare with Emirates) across Africa and the Middle East via Johannesburg and Dubai gateways

14 Qantas operated flights per week to Dubai from Sydney and Melbourne—all A380 aircraft

84 Qantas codeshare flights per week from Sydney, Melbourne, Perth, Adelaide, and Brisbane



FREQUENT FLYER 



DUBAI

14 QF flights per week from SYD and MEL
QF codeshares with Emirates on 84 flights per week from ADL, BNE, MEL, PER and SYD

JOHANNESBURG

7 QF flights per week with onward connections to partners South African Airways and British Airways (operated by Comair)



Network
One stop, Two gateways; Connecting customers to Africa and the Middle East via Johannesburg and Dubai.



Lounges
Eligible customers can work, relax and dine prior to their flight in exceptional world-class First and Business Lounges in Sydney, Melbourne and Dubai.



Loyalty
Be rewarded. Qantas Frequent Flyers can earn and redeem Qantas Points, plus earn Status Credits on eligible flights between Australia and Africa and the Middle East.



Qantas to Africa and the Middle East

Network

Southern Africa via Johannesburg

Qantas offers the only non-stop route between Sydney and Johannesburg with **direct daily return** services. Combined with Qantas' domestic and trans-Tasman offering, Sydney is the most efficient and convenient transit point for connections from East Coast Australia and New Zealand to South Africa.

Qantas operates a 3-cabin Boeing 747 between Sydney and Johannesburg and is the only carrier to offer Premium Economy between Australia and South Africa. Customers travelling in our award-winning Premium Economy cabin enjoy priority check-in, private cabin with dedicated flight attendants, additional leg and elbow room, a wider ergonomically designed seat and a Rockpool-inspired menu.

Beyond Johannesburg, customers can access **26 interline destinations in 16 countries** with South African Airways and **oneworld** partner, British Airways (operated by Comair).

North Africa via Dubai

Qantas operates two daily services into Dubai from Sydney and Melbourne with the award-winning **A380 aircraft**. Together with partner Emirates, Qantas offers a total of **98 weekly services** between Australia and Dubai (including from Perth, Brisbane, and Adelaide).

Beyond Dubai, Qantas customers can reach an extensive network of **30 destinations** within Africa with **Emirates** and **flydubai**. Qantas codeshares to to 6 destinations, including Cairo, Nairobi and Seychelles on services operated by Emirates.

Middle East via Dubai

Qantas' partnership with Emirates offers customers **one-stop comprehensive coverage of the Middle East** from Australia to 18 destinations including 7 codeshare services to key destinations including Beirut, Jeddah, Muscat and Amman. Qantas customers can connect to an additional 12 destinations across the Middle East with flydubai.

oneworld members Royal Jordanian and Qatar Airways offer additional connectivity and customer recognition throughout the Middle East via their respective hubs Amman and Doha.

Lounges and Additional Services

The experience begins with Qantas' exceptional Business and First lounges in Sydney and Melbourne for eligible¹ customers. The award-winning First Lounges offer **unsurpassed luxury** including the Aurora Spa, full dining experience and concierge service.

Emirates' First and Business Class lounges in Dubai's Terminal 3 provide state-of-the-art facilities including **direct boarding** to the Concourse's dedicated A380 gates.

Eligible¹ Qantas Frequent Flyers and **oneworld** members have access to multiple **oneworld** member lounges in select destinations when travelling throughout Africa and the Middle East on **oneworld** services including British Airways (operated by Comair), Qatar, Royal Jordanian and S7.

Chauffeur Drive—Eligible First and Business customers travelling between Australia, Dubai and select onward destinations in Africa and the Middle East are offered an extra level of convenience with luxury chauffeur transportation².

Dubai Connect—Qantas will provide accommodation, meals and ground transportation for eligible customers whose itineraries involve a longer transit between Qantas and Emirates flights in Dubai³.

Frequent Flyer

Benefits of membership:

- Earn and redeem **Qantas Points** on eligible⁴ Qantas flights between Australia and Africa.
- Earn and redeem **Qantas Points** on eligible⁴ flights throughout the Middle East and Africa with our partner airlines British Airways (operated by Comair), Emirates, El Al, Qatar Airways, Royal Jordanian and S7.
- Earn **Status Credits** on eligible⁴ Qantas, **oneworld** alliance airlines and Qantas codeshare flights (with a QF flight number) which count towards your tier status and more privileges.

When travelling beyond the Qantas-operated network on codeshare flights (with a QF flight number) operated by Emirates, Frequent Flyer's can:

- Earn **Qantas Points** and **Status Credits** at the same rate as flying on a Qantas aircraft.

¹ For terms and conditions please visit qantas.com.au/travel/airlines/qantas-club-lounge-access/global/en

² For terms and conditions please visit qantas.com.au/travel/airlines/chauffeur-drive-terms/global/en

³ For terms and conditions please visit qantas.com.au/travel/airlines/dubai-connect/global/en

⁴ An eligible flight for the purpose of this promotion means any flight with a QF flight number on your ticket where Status Credits or Qantas Points are normally earned. Status Credits and Qantas Points may not be earned on some fare types and booking classes. Please visit qantas.com.au/terms

Correct as at October 2014



QANTAS TO NEW ZEALAND AND SOUTH WEST PACIFIC:

Qantas Alliances

Connecting Australia to New Zealand and islands across the South West Pacific

More than 100 Qantas operated services per week across the Tasman

Escape to New Zealand and 5 island destinations across the South West Pacific with our partners

Emirates	Air Vanuatu
LAN	Air Niugini
Jetstar	Aircalin
Fiji Airways	Air Tahiti Nui

PORT MORESBY

12 QF flights per week from CNS
QF codeshares with Air Niugini on 15 flights per week from BNE and SYD

SANTO

QF codeshares with Air Vanatu on 1 flight per week from BNE

PORT VILA

QF codeshares with Air Vanuatu on 10 flights per week from BNE, MEL and SYD

NOUMEA

4 QF flights per week from SYD and BNE

QF codeshares with Aircalin on 5 flights per week from SYD and BNE

NADI

QF codeshares with Fiji Airways on 39 flights per week from BNE, MEL, SYD, AKL and CHC

PAPEETE

QF code-shares with Air Tahiti Nui on 3 flights per week from SYD, MEL and BNE via AKL

119 codeshare flights per week across domestic New Zealand

QUEENSTOWN

8 QF flights per week from SYD and BNE

QF codeshares with JQ on 7 flights per week from MEL and 3 flights per week from OOL¹

CHRISTCHURCH

7 QF flights per week from SYD

QF codeshares with Emirates on 7 flights per week from SYD

QF codeshares with JQ on 11 flights per week from OOL, MEL and SYD

WELLINGTON

21 QF flights per week from SYD and MEL

QF code-shares with JQ on 3 flights per week from OOL¹

AUCKLAND

67 QF flights per week from SYD, MEL BNE and PER²

QF codeshares with Emirates on 21 flights per week from SYD, MEL and BNE

QF codeshares with LAN on 7 flights per week from SYD

QF codeshares with JQ on 7 flights per week from OOL



Network

Whether for business or leisure Qantas and its codeshare partners offer 11 destinations across New Zealand and the South West Pacific from multiple Australian gateways.



Fleet

Across the Tasman, Qantas operates next generation Boeing 737-800 aircraft with an all-inclusive service in Business and Economy.



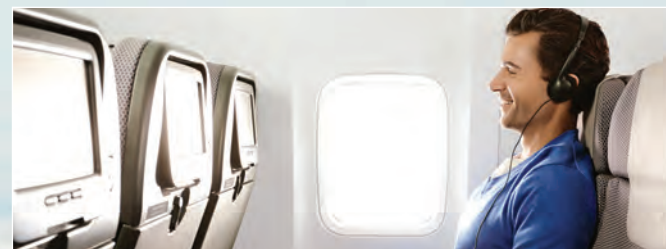
All the frills


Once you've booked your flight, sit back and enjoy the journey with a contemporary menu, premium award-winning wines, inflight entertainment and baggage.



Loyalty

Be rewarded. Qantas Frequent Flyer members can earn and redeem Qantas Points on eligible flights between Australia, New Zealand and the South West Pacific.



FREQUENT FLYER 

¹ OOL-ZQN from 13 December 2014 and OOL-WLG from 12 December 2014. Flights subject to government and regulatory approval.
² Qantas operates seasonal services between AKL and PER—2 services per week between 5 December 2014 and 26 April 2015.



Qantas to New Zealand and the South West Pacific

New Zealand

Qantas operates more than 100 services from Sydney, Melbourne, Brisbane and Perth² to Auckland, Wellington, Christchurch and Queenstown.

From the Gold Coast, Qantas codeshares on daily **Jetstar services** to Auckland, 3 flights per week to Christchurch, and 3 flights per week¹ to Wellington and Queenstown. From Melbourne, Qantas codeshares on Jetstar's daily services to Queenstown and 5 flights per week to Christchurch.

Additionally, codeshare partner Emirates offers **daily services** to Auckland from Sydney, Melbourne and Brisbane, and to Christchurch from Sydney.

Jetstar's extensive domestic network in New Zealand provides Qantas customers with **119 codeshare flights** per week between major cities Auckland, Wellington, Christchurch, Dunedin and Queenstown.

Qantas' Tasman services are operated³ by next generation Boeing 737-800 aircraft with an all-inclusive service offering meals and award-winning Australian and New Zealand wines, baggage and inflight entertainment which can be used gate-to-gate. Customers travelling in Business enjoy menus designed by Qantas Chef Neil Perry.

Eligible⁴ Qantas customers enjoy the Qantas International Business Lounge in Auckland, Business Lounge in Wellington, as well as the Manaia Lounge in Christchurch.

South West Pacific

Qantas partners with a range of carriers across the South West Pacific offering a **comprehensive network to Island destinations** including New Caledonia, Papua New Guinea, Fiji, Tahiti and Vanuatu.

New Caledonia

Together with codeshare partner **Aircalin**, Qantas offers 6 daily services to Noumea from Sydney and 3 flights per week from Brisbane. Eligible customers travelling from Noumea on a Qantas codeshare flight can access the Aircalin lounge in Noumea⁴.

Papua New Guinea

QantasLink operates 12 services per week to Port Moresby from Cairns. Partner airline **Air Niugini** offers codeshare services to Port Moresby from Sydney and Brisbane with interline options across Papua New Guinea. Eligible customers travelling from Port Moresby on a Qantas codeshare flight can access Air Niugini's Paradise Club⁴.

Fiji

Qantas codeshares on **Fiji Airways** to Nadi twice daily from Sydney, daily from Brisbane and 5 times per week from Melbourne. Additionally, Qantas codeshares on Fiji Airways services to Los Angeles, Honolulu, Auckland and Christchurch. Customers also have interline options with Jetstar from Sydney. Eligible customers travelling from Nadi on a Qantas codeshare flights have access to Fiji Airways' Tabua lounge⁴.

Tahiti—French Polynesia

Qantas codeshares on Air Tahiti Nui to Papeete on 3 flights per week via Auckland, as well as offering codeshare services through to Los Angeles.

Vanuatu

Qantas codeshares on Air Vanuatu to Port Vila on 6 flights per week from Sydney, 3 flights per week from Brisbane and once per week from Melbourne. There is also one flight per week from Brisbane to Santo.

Frequent Flyer

Benefits of membership:

- Earn and redeem **Qantas Points** on eligible³ flights to and throughout New Zealand and the South West Pacific with Qantas and our partner airlines Air Niugini, Air Vanuatu, Emirates, Fiji Airways, Jetstar and LAN.
- Earn **Status Credits** on eligible³ Qantas, Jetstar, Fiji Airways, LAN and Qantas codeshare flights (with a QF flight number) which count towards your tier status and more privileges.

When travelling beyond the Qantas-operated network on **codeshare** flights (with a QF flight number) operated by our partners airlines Aircalin, Air Niugini, Air Tahiti Nui, Air Vanuatu, Emirates, Fiji Airways, Jetstar and LAN, Frequent Flyer's can:

- Earn **Qantas Points** and **Status Credits** at the same rate as flying on a Qantas aircraft.
- Enjoy extra benefits for eligible members including priority, extra baggage and lounge access where available⁴.



¹ OOL–ZQN from 13 December 2014 and OOL–WLG from 12 December 2014. Flights subject to government and regulatory approval.

² Qantas operates seasonal services between AKL and PER—2 services per week between 5 December 2014 and 26 April 2015.

³ An eligible flight for the purpose of this promotion means any flight with a QF flight number on your ticket where Status Credits or Qantas Points are normally earned. Status Credits and Qantas Points may not be earned on some fare types and booking classes. Please visit qantas.com.au/terms

⁴ Qantas Lounge access is only available to eligible members when travelling onward that day on eligible flights with a QF or JQ flight number on your ticket, or a flight operated by a oneworld alliance airline with a oneworld alliance airline flight number on your ticket. You must be over 18 years of age to access any lounge if not accompanied by an adult. Other lounge access conditions apply. Please visit qantas.com/lounges

Correct as at October 2014

QANTAS FREIGHT

Australia's leading cargo carrier

Qantas Freight is the international and domestic air freight division of the Qantas Group, and Australia's leading cargo carrier and cargo terminal operator. It **employs more than 1,400 people** across the world.

Qantas Freight operates more than **140 dedicated freighter services** per week offering an unrivalled network reach to more than **80 domestic and 480 international destinations**, including 7 destinations within mainland China.

Qantas Freight includes two wholly owned subsidiaries: **Express Freighters Australia**, which provides aircraft, crew, maintenance and insurance services, and **Jets Transport Express**, Australia's road feeder service for the international cargo industry.

Qantas Freight provides three core services:

Freighters

Qantas Freight operates 11 dedicated freighters to supplement capacity on key domestic and international routes, including China, Thailand, New Zealand, USA and Hong Kong.

Belly Space

Qantas Freight markets the freight capacity on Qantas Group airlines including Jetstar passenger aircraft.

Terminal Operations

Qantas Freight provides ground handling to the Qantas Group and more than 25 other airlines across 22 cargo terminals in 15 Australian cities plus Los Angeles.

850,000+
tonnes annual
throughput
across terminal
operations

4,000+
shipments
every day



QANTAS FREIGHT

ATTACHMENT 3



QANTAS GROUP AND THE AUSTRALIAN ECONOMY

- Qantas is Australia's national carrier and a very substantial business in the Australian economy.
- Our turnover is over \$16 billion and we have commitments which generate an asset base of \$20 billion employing more than 30,000 people, 93 percent of whom are based in Australia.
- Qantas has played a central role in the development of the Australian and international aviation industry and has been responsible for many aviation industry firsts.
- In FY14, the Qantas Group carried over 48 million passengers – over 34 million domestically and over 14 million internationally.
- The Qantas Group is made up of four core businesses:
 - Qantas Domestic (including the QantasLink regional airline);
 - Qantas International and Freight;
 - Jetstar; and
 - Qantas Loyalty.
- The Qantas Group has significant global reach across six continents through:
 - strategic minority investments in a range of ventures, including Jetstar-branded airlines in Singapore, Vietnam and Japan, and one underway in Hong Kong;
 - our relationships with airline partners including Emirates, American Airlines, China Eastern, China Southern, Japan Airlines and LATAM – the Qantas Group offers customers travel to a total of more than 1,000 destinations through its **oneworld** and codeshare partners; and
 - significant investment in hubs across the world, including Dubai, London, Singapore, Sydney, Los Angeles, New York, Dallas and Santiago. Our recently announced partnership with China Eastern presents potential future hubbing opportunities in Shanghai. The scale and importance of these investments to the Australian economy are not matched by any other airline serving Australia.
- Qantas and Jetstar operate more than 6,600 domestic and more than 930 international flights each week. Qantas flies to more than 70 destinations in Australia and around the world, while Jetstar and the Jetstar-branded airlines in Asia serve more than 60 destinations.
- QantasLink operates over 2,000 flights each week to 56 metropolitan, regional and international destinations across Australia and to Port Moresby in Papua New Guinea. It employs more than 1,200 people in communities such as Coffs Harbour, Gove, Hervey Bay, Mildura, Port Hedland, Roma and Tamworth.
- The Qantas Frequent Flyer program has 10.1 million members.

- Qantas is a founding member of the **oneworld** alliance.
- The Qantas Group's fleet numbers 303 aircraft, with an average age of 7.7 years – the youngest in two decades. Qantas is one of the largest operators of the Airbus A380, with 12 in service, while in 2013 Jetstar became the first low-cost carrier in the Asia Pacific to fly the Boeing 787 Dreamliner.
- Qantas spends \$6 billion a year purchasing products and services from 1,500 Australian producers of foods, wines and beverages.
- Qantas and Jetstar passengers spent more than \$28 billion as domestic tourists in 2012/13, including through accommodation at Qantas' 5,000 partner hotels.
- Qantas promotes Australia as a tourism destination with \$70 million partnerships with Australian tourism bodies.
- Qantas performs the majority of its heavy maintenance in Australia. A \$30 million improvement to its Brisbane engineering centre was opened in November 2013.
- More than 7,000 apprentices have graduated through Qantas programs since 1927.
- Qantas' operations are primarily taxable in Australia:
 - In 2012/13 Qantas paid \$650 million in personal income taxes on behalf of employees.
 - Australia's corporate tax rate is 30 percent, compared to Singapore's at 18 percent. Over the last five years Qantas has paid close to \$300 million in corporate taxes.
 - Qantas paid \$146 million in payroll taxes and \$68 million in customs and excise taxes in 2012/13.
- Skytrax ranks Qantas among the world's top 10 airlines and the best in the Australia-Pacific region, while Jetstar is rated the Australia-Pacific's best low-cost carrier.
- Qantas is currently undertaking a significant transformation program which will reduce its cost of doing business by \$2 billion to improve its competitive position.