

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

4 – 6 June 2013

Question: BET 26

Topic: Qantas & Emirates

Hansard Page: Tuesday 4 June 2013, Page 111-112

Senator XENOPHON asked:

Senator XENOPHON: Let us go to Qantas and Emirates. Paragraph 202 of the ACCC's draft determination relating to Qantas and Emirates—

Mr Sims: Draft or final?

Senator XENOPHON: The draft. It said:

The ACCC notes that Qantas has provided substantial information to the ACCC indicating that its current international business is unsustainable.

However, I note in your correspondence—and I was tormenting you and the ACCC with long letters about this—on 12 April 2013 that you said that the ACCC's draft determination did not accept Qantas's claim that its international business is in terminal decline, reflected in your final determination. Can you explain how the ACCC received substantial information indicating that Qantas's international business was unsustainable but still determined that claims that the business is in terminal decline are not correct?

Mr Sims: Sorry—in the first it was unsustainable, was it?

Senator XENOPHON: Yes. In the draft determination, you said (a) that you received substantial information—

Mr Sims: That the business was unsustainable.

Senator XENOPHON: And that was in your draft. Your final determination said, 'We don't believe there is evidence to support those claims.' I do not think I am verballing the ACCC; that was a summary of it. What I am trying to understand is: will you disclose what you relied on in relation to your determination, whether it is your draft or final determination? I am still trying to establish: what material did you rely on?

Mr Sims: We had information from the airlines about the essential viability of their businesses on the European routes, on the Asian routes and on the Americas routes—

Senator XENOPHON: I understand that. I am sorry—I am running out of time. I am trying to understand. I asked even for an index of documents, without even knowing what is in those documents, at least to know what you relied on—whether you relied on books of accounts, or yields, or load factors. I am still trying to understand what 'substantial information' the ACCC relied on. Why can't the ACCC at least give us the bare bones of the material that you relied on?

Mr Sims: I am happy to take that on notice.

Senator XENOPHON: You did back in February.

Mr Sims: I honestly cannot remember—

Senator XENOPHON: I think you will remember that you did say in February that you would take it on notice.

Ms Webb: I think in February we took on notice whether we could create an index of all the documents. However, I think we could give you an outline of the type of documents that you are now suggesting might be helpful—

Senator XENOPHON: I think there are some outstanding issues with respect of that to do with other regulators that I would like to pursue. So that would be a relevant matter. Thank you very much.

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Answer:

The ACCC reviewed and considered a range of information provided by Qantas concerning the competitiveness and profitability of Qantas' international operations, including reports by Boston Consulting Group¹ and Oxford Economics², confidential board documents and confidential route profitability data. The ACCC also had regard to Qantas' new international schedule announced on 4 October 2012 and Qantas' announcement that this schedule would apply in the 2013 Northern Summer season in both the future with, and the future without, the proposed conduct.

¹ Boston Consulting Group 2012, Surviving the squeeze: winning strategies for a changing airline industry, October 2012

² Oxford Economics 2011, Explaining Dubai's Aviation Model, June 2011