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AUSTRALIA

Fair competition as a tool for Selective Discrimination

Qantas Group's new approach to foster protectionism

FAIR COMPETITION, FEAR OF COMPETITION, OR UGLY PROTECTIONISM?

Qantas' Government, International and Regulatory Affairs, headed by former Emirates Airline Executive, pushes to limit competition and consumer choice and apply selective discrimination on who can serve the Australian market.

It has recently been reported in the Qantas Group Public Affairs Journal issued on 06 November 2018 that the Australian government is seeking to include "a robust and enforceable fair competition clause in the Australia-Qatar Air Services Agreement", which was initialed in 2003 and signed on 17 November 2016.

Through the lobbying momentum created by the Qantas Public Affairs Journal article, Qantas is trying to persuade the Australian government to compromise on its fair approach, regulatory impartiality, and high ethics in order to serve an agenda of selective protectionism.

This attempt is ideologically driven to enable Qantas to pick and choose who enters the Australian aviation market. In doing so, Qantas seeks to protect its partner, Emirates, who has a history of excessive capacity and controversial market practices in and out of Australia.

The ideology presented in the article is biased against Qatar Airways and selectively crafted to exclude Emirates and Etihad from the scope of allegations presented by the U.S. Partnership for Open and Fair Skies in 2015.

Contrary to the claims in the article, Qatar Airways' current services to Canberra via Sydney, launched in February 2018, actually support the regional package and in no way contravene Australia's aviation policy. Indeed it is questionable why Qantas did not connect the Canberra market with direct non-stop services to the world before.

More importantly, according to the Register of Available Capacity published by the Australian Department of Infrastructure, Regional Development and Cities, as of 15 October 2018, the traffic rights available for Qatar Airways' operations to/from Australia represent only 13.6% of the 154 weekly frequencies already granted to and operated by carriers of the United Arab Emirates to Australia's main gateways, and 25% of the 84 weekly frequencies currently allocated to and operated by Emirates, Qantas' partner.

Due to the excessive capacity exercised by Emirates in the Australian market, and the strong lobbying leverage of Qantas as the national carrier of Australia, Qatar Airways has been prevented to compete and dispossessed of its ability to serve Brisbane in Queensland, having received an approval on 06 April 2018 which was unexpectedly frozen on 12 April 2018 and stalled to this day.

Qatar Airways is suffering blatant and significant di crimination in Australia:

13.6%

Qatar Airways weekly frequency entitlement to Australia compared to **UAE carriers.**

25%

Qatar Airways weekly frequency entitlement to Australia compared to **Emirates,** Qantas' partner.

0

is the entitlement of Qatar Airways to **Brisbane**

Selective market access

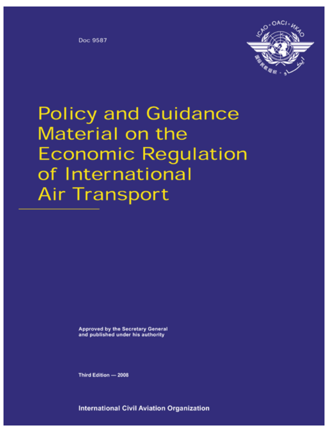
Qantas has called on supporting the inclusion of safeguards into the Australia-Qatar Air Services Agreement. This call is clearly discriminatory against Qatar Airways as an airline with very limited frequencies serving the Australian main gateways, compared to the huge capacity exercised by Qantas' partner Emirates across all Australian gateways and extended to New Zealand.

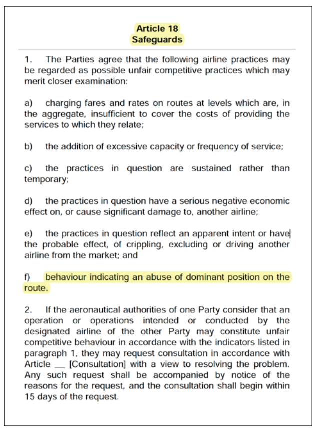
Qatar Airways offers more destinations, yet is granted less market access

Qatar Airways **Over 160 Destinations** (Australia Excl.)	**21** Frequencies to Australia's main gateways
Etihad **Over 77 Destination** (Australia Excl.)	**63** Frequencies to Australia's main gateways
Emirates **Over 140 Destination** (Australia Excl.)	**84** Frequencies to Australia's main gateways

Safeguards and ICAO

According to ICAO, safeguards provisions are only relevant and applicable in "liberalized" even if not fully "open skies" agreements and are hardly justifiable in a restricted agreement, with limited capacity and frequencies, like the one governing Australia-Qatar aviation relations.





Article 18
Safeguards

1. The Parties agree that the following airline practices may be regarded as possible unfair competitive practices which may merit closer examination:

a) charging fares and rates on routes at levels which are, in the aggregate, insufficient to cover the costs of providing the services to which they relate;

b) the addition of excessive capacity or frequency of service;

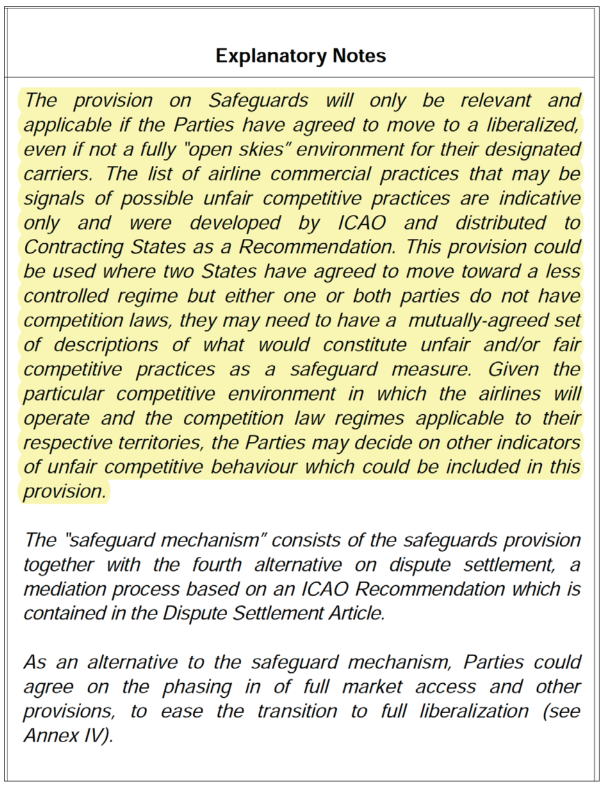
c) the practices in question are sustained rather than temporary;

d) the practices in question have a serious negative economic effect on, or cause significant damage to, another airline;

e) the practices in question reflect an apparent intent or have the probable effect, of crippling, excluding or driving another airline from the market; and

f) behaviour indicating an abuse of dominant position on the route.

2. If the aeronautical authorities of one Party consider that an operation or operations intended or conducted by the designated airline of the other Party may constitute unfair competitive behaviour in accordance with the indicators listed in paragraph 1, they may request consultation in accordance with Article __ [Consultation] with a view to resolving the problem. Any such request shall be accompanied by notice of the reasons for the request, and the consultation shall begin within 15 days of the request.



Explanatory Notes

The provision on Safeguards will only be relevant and applicable if the Parties have agreed to move to a liberalized, even if not a fully "open skies" environment for their designated carriers. The list of airline commercial practices that may be signals of possible unfair competitive practices are indicative only and were developed by ICAO and distributed to Contracting States as a Recommendation. This provision could be used where two States have agreed to move toward a less controlled regime but either one or both parties do not have competition laws, they may need to have a mutually-agreed set of descriptions of what would constitute unfair and/or fair competitive practices as a safeguard measure. Given the particular competitive environment in which the airlines will operate and the competition law regimes applicable to their respective territories, the Parties may decide on other indicators of unfair competitive behaviour which could be included in this provision.

The "safeguard mechanism" consists of the safeguards provision together with the fourth alternative on dispute settlement, a mediation process based on an ICAO Recommendation which is contained in the Dispute Settlement Article.

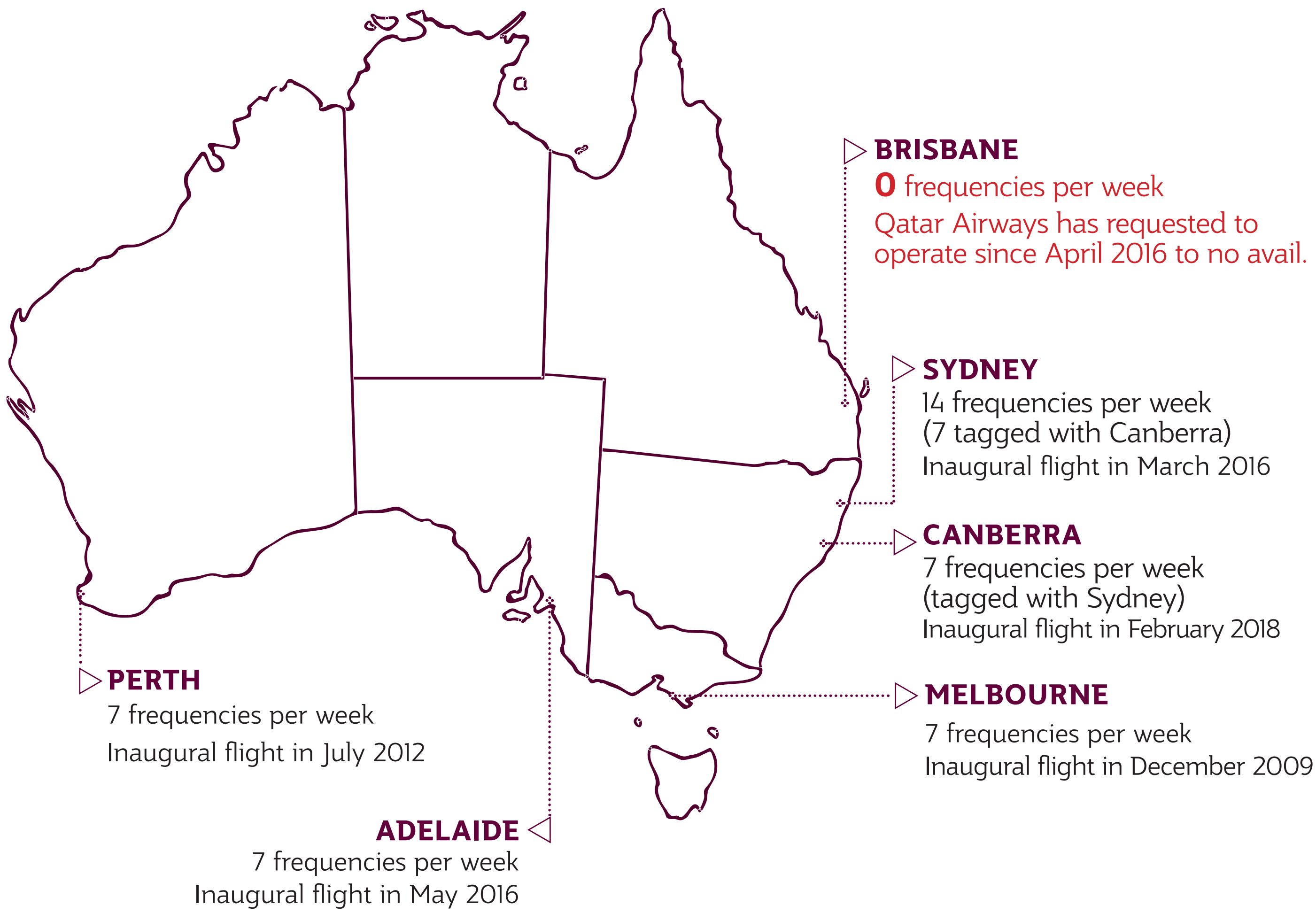
As an alternative to the safeguard mechanism, Parties could agree on the phasing in of full market access and other provisions, to ease the transition to full liberalization (see Annex IV).

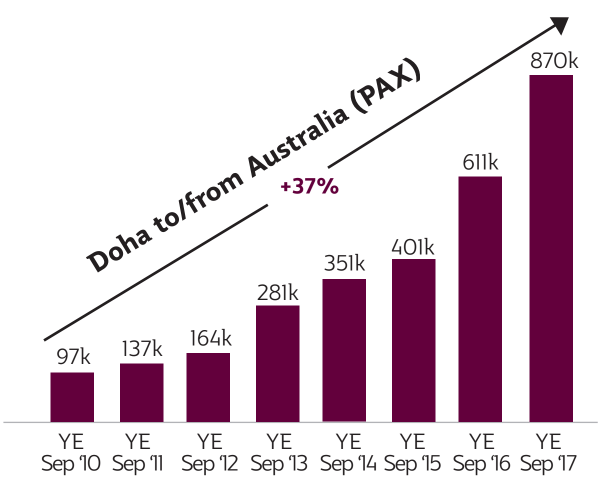
Discrimination

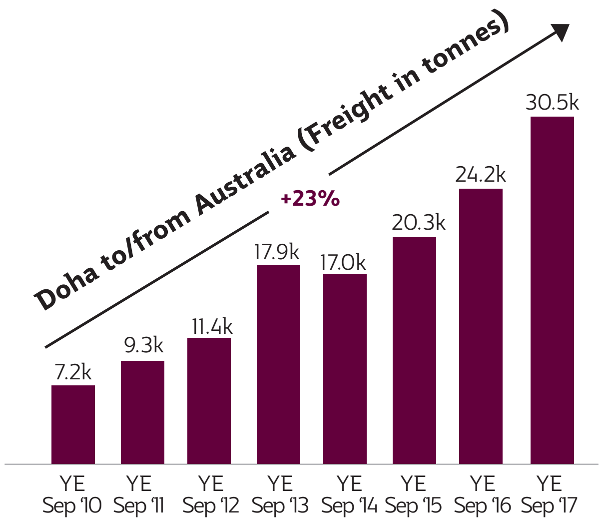
The proposal by Qantas not only deviates from ICAO guidance, but it also aims to introduce a strong extra-territorial agenda against foreign airlines that are not part of the Qantas Group. In addition, it may impose discriminatory conditions not currently applicable to foreign airlines operating to/from Australia.

OUR CONTINUING COMMITMENT TO AUSTRALIA

Provided the opportunity, Qatar Airways has been gradually growing the Passenger and Freight market to and from Australia. Qatar Airways currently operates 35 frequencies per week to Australia.



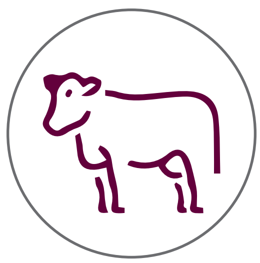




OUR CONTRIBUTION TO ECONOMIC STRENGTH

- Qatar Airways expects to carry outbound cargo of approximately 12-15 tonnes per flight.
- 95% of the outbound cargo from Brisbane will be fresh perishable food similar to the rest of Australia.
- Australian perishables average approximately AUD 10 per kilogram. As a result we estimate Australian perishables to be worth over AUD 40 million per annum.
- 70,600 tonnes of goods airfreighted from Brisbane in 2017 (growth of 5% on 2016);
- Only 400 tonnes to/from Qatar, but significant potential for growth with direct flights.
- As Qantas, Emirates and Etihad do not operate to Doha, Qatar Airways is the only air cargo supplier to the Qatar – Australia market.
- New passenger services to Brisbane, will create new business for Queensland exporters to fulfil Qatari demand for Australian products.

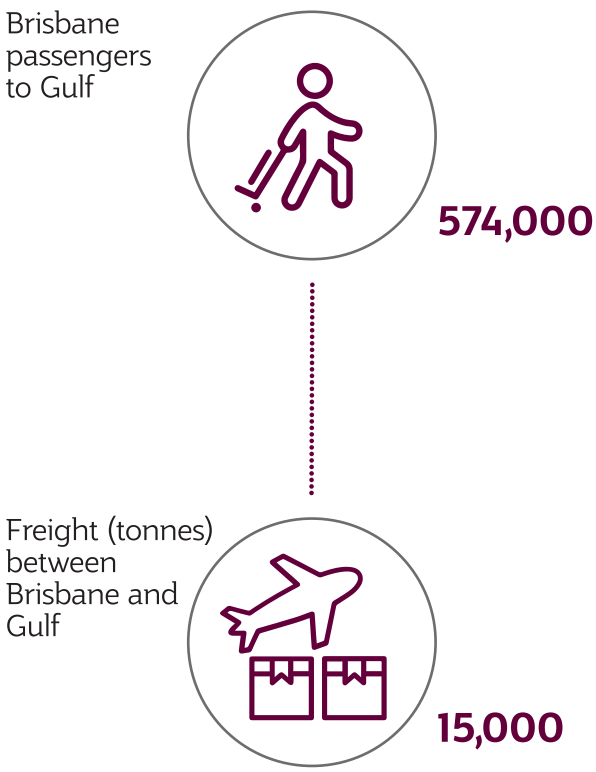
12 - 15 tonnes
Cargo per flight



95%
Fresh perishable food

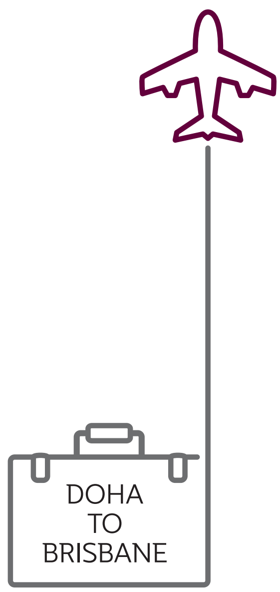
BRISBANE TRAFFIC

- Brisbane ranks 4th in both passenger and freight traffic to the Gulf, despite being the third largest city in Australia by population.
- In comparison, passenger traffic between Brisbane and the Gulf totalled 574,000 people with freight in tonnes of 15,000 tonnes.
- Queensland passengers using Qatar Airways from other States has increased from 16K to 23K passengers over the last 12 months.
- Brisbane Airport is experiencing the strongest international passenger growth in a decade (+6.9% in 2017).
- Capacity to double with opening of new parallel runway in mid-2020.



DOHA - BRISBANE

- Qatar Airways analysis estimates a potential of up to **50,000 visitors** per annum for a daily Doha to Brisbane operation.
- **No competition with Australian carriers** on the routes relevant to Qatar Airways to/from Brisbane.
- **Emirates currently operates triple daily** services to Brisbane.
- Etihad currently operates daily service to Brisbane.
- **Qatar Airways restricted** from competing on routes to/from Brisbane.



NO BORDERS, ONLY HORIZONS

On 5 June 2017, Qatar Airways ceased being just a commercial airline and overnight became the only humanitarian bridge connecting the State of Qatar to the world, leaving **over 3 millions residents, including 5,500 Australian expats** without access to shipments of food, medicines and other critical supplies.

Qatar Airways quickly mobilized to provide the humanitarian care required for its international residents while continuing to deliver our 5-star customer service, for which we are renowned.

> “As an airline, we do not believe in boundaries. We believe in bringing people together. The world is better that way.
>
> We believe it is a right of all of us to go where we need to go, to feel the things we want to feel, to see the people we want to see.
>
> That is why we will continue to fly the skies, providing our passengers with everything we can and treating everyone how they deserve to be treated.
>
> We do this because we know that travel goes beyond borders and prejudice...
>
> **That travel teaches compassion.**
>
> **That travel is a necessity.**
>
> **That travel is a right for all.**
>
> **There should be no borders in the sky, only horizons.**”

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