



MEDIA RELEASE

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ACCC finds Qantas and Japan Airlines alliance not in the public interest

The ACCC has denied authorisation for Qantas (ASX:QAN) and Japan Airlines to coordinate flights between Australia and Japan under the terms of a joint business agreement. The ACCC found that the agreement would likely lead to reduced competition as international travel resumes, to the detriment of passengers travelling between Australia and Japan.

“The ACCC can only authorise an agreement between competitors if it is satisfied the public benefits would outweigh the harm to competition. The alliance did not pass this test,” ACCC Chair Rod Sims said.

“Airlines have been severely impacted by the pandemic and this has been a very difficult period for them. But preserving competition between airlines is the key to the long-term recovery of the aviation and tourism sectors, once international travel restrictions are eased.”

In the year before the pandemic, Qantas and Japan Airlines together flew about 85 per cent of passengers travelling between Australia and Japan. They were each other’s closest competitors on the largest route, Sydney-Tokyo, and the only airlines operating on the second largest route, Melbourne-Tokyo.

The ACCC concluded that granting the authorisation would not only remove competition between Qantas and Japan Airlines, it would make it very difficult for other airlines to operate on routes between Australia and Japan. Virgin Australia told the ACCC that it would be more difficult to enter the Australia-Japan route if it is required to compete with Qantas and Japan Airlines acting jointly rather than as individual competing airlines.

“We accepted that there was likely to be some short-term benefits from the alliance being able to jointly reinstate services more quickly when borders are reopened, which may initially stimulate tourism. However, the longer-term benefits of competition between airlines are cheaper flights and better services for consumers, which is vital to the recovery of tourism over the coming years,” Mr Sims said.

Following the ACCC’s draft decision in May, Qantas offered a commitment to commence a new service between Cairns and Tokyo once certain demand thresholds were reached.

“We think Qantas could commence a new Cairns service without the alliance, and the timing of any such service would be best determined by commercial factors in a competitive environment. Jetstar services on this route are currently planned to start again from February 2022, without the alliance,” Mr Sims said.

The ACCC has granted several exemptions from competition law during the COVID-19 pandemic. These exemptions have typically been for short periods and involved targeted proposals for industry participants to come together to ensure supply of resources during the pandemic.

The Qantas and Japan Airlines alliance would have allowed the airlines to stop competing on all aspects of price and service for three years.

More information, including the ACCC’s final determination, is available on the ACCC’s public register on its website at [Qantas and JAL](#).

Notes to editors

ACCC authorisation provides statutory protection from court action for conduct that might otherwise raise concerns under the competition provisions of the Competition and Consumer Act 2010.

Broadly, the ACCC may grant an authorisation when it is satisfied that the likely public benefit from the conduct outweighs any likely public detriment.

While Qantas and Japan Airlines' application sought authorisation for three years, their proposed joint business agreement was for five years. If authorisation had been granted in respect of the proposed joint business agreement, the remaining two years of the agreement would have been subject to regulatory approval.

Background

Qantas (including Jetstar) and Japan Airlines applied for a three year authorisation of a joint business agreement to fully coordinate their air passenger and cargo operations between Australia and Japan. The proposed agreement covered marketing and sales, pricing, scheduling, distribution strategies and agency arrangements, yield and inventory management, frequent flyer programs, lounges, joint procurement, product and service standards and cargo.

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