



MEDIA RELEASE

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ACCC proposes to deny Qantas/Japan Airlines coordination proposal

The ACCC is proposing to deny authorisation for Qantas (ASX:QAN) and Japan Airlines to coordinate flights between Australia and Japan for three years under a proposed five year joint business agreement.

“An agreement for coordination between two key competitors breaches competition laws. The ACCC can only authorise these agreements if the public benefits from the coordination outweigh the harm to competition,” ACCC Chair Rod Sims said.

“At this stage we do not consider that Qantas and Japan Airlines’ proposal passes that test.”

Before the COVID-19 pandemic, Qantas and Japan Airlines were the only two airlines offering direct flights between Melbourne and Tokyo. They were also two of only three airlines, the other being All Nippon Airways, offering direct flights between Sydney and Tokyo.

“The airline and tourism sectors have been severely impacted by the COVID-19 pandemic. Protecting competition in the airline industry is critical to ensuring recovery in the tourism sector, once international travel restrictions ease,” Mr Sims said.

“This proposed coordination would appear to undermine competition significantly by reducing the prospect of a strong return to competition on the Melbourne – Tokyo and Sydney – Tokyo routes when international travel resumes.”

“Granting this authorisation would seem to eliminate any prospect of Qantas and Japan Airlines competing for passengers travelling between Australia and Japan, as they did before the COVID-19 pandemic. This elimination of competition would benefit the airlines at the expense of consumers,” Mr Sims said.

The ACCC considers that Qantas and Japan Airlines combining their operations would also make it more difficult for another airline to seek to launch flights on these routes.

“We took into account that there may be some short term benefits from the proposed agreement such as allowing Qantas and Japan Airlines to more quickly reinstate flights between Australia and Japan. Our current view is that these are outweighed by the severe harm to competition,” Mr Sims said.

“We have been willing to be flexible in granting limited exemptions from competition law during this time of severe economic impact on the travel sector due to COVID-19. However we must ensure that this doesn’t open the door to anticompetitive agreements that significantly harm competition in the medium to long term.”

The ACCC is seeking submissions from interested parties in response to this draft determination by 27 May 2021 and will make a final decision after consideration of those submissions. The draft determination and more information on how to make a submission are available on the ACCC public register at [Qantas and JAL](#).

Background:

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.

In April 2021, the ACCC released a report regarding the approach the ACCC took to authorising competitor collaborations in the context of COVID-19: [COVID-19-related authorisations](#).

The ACCC [re-authorised the alliance between Qantas and American Airlines](#) for a further five years on 25 March 2021.

While Qantas and Japan Airlines' application is seeking authorisation for three years, the ACCC understands their proposed joint business agreement is for five years. If authorisation is granted in respect of the proposed joint business agreement, the remaining two years of the agreement would be subject to regulatory approval.

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