



Australian
Competition &
Consumer
Commission

GPO Box 3131 Canberra ACT 2601
23 Marcus Clarke Street Canberra ACT
tel: (02) 6243 1111 fax: (02) 6243 1199
www.accc.gov.au

NEWS RELEASE

ACCC SEEKS SUBMISSIONS ON FLY-IN FLY-OUT AIRLINE ALLIANCE

The Australian Competition and Consumer Commission is proposing to deny authorisation to a Charter Alliance Agreement between Virgin Australia Airlines, Virgin Australia Regional Airlines (VARA), and Alliance Aviation Services (Alliance Airlines; ASX: AQZ).

The proposed Charter Alliance would reduce the number of major Fly-in fly-out (FIFO) service providers in Western Australia from four to three, including Qantas, Cobram Aviation Services and the VARA/Alliance Airlines. More importantly, this would mean just two suppliers, Qantas and VARA/Alliance Airlines, would be competing for the majority of FIFO services.

The ACCC is seeking submissions by 27 January on the draft determination, particularly from FIFO customers.

“The Charter Alliance will largely eliminate competition between VARA and Alliance Airlines in providing FIFO services to corporate customers in Western Australia” ACCC Commissioner Sarah Court said.

“The ACCC considers that the likely public benefits will not outweigh the significant public detriment likely to result from VARA and Alliance Airlines coordinating their FIFO services in Western Australia. Therefore, the ACCC’s preliminary view is that this alliance is likely to materially reduce competition for the supply of FIFO services in Western Australia.”

The ACCC accepts that the Charter Alliance is likely to result in some public benefits. In particular, operational efficiencies through integrating VARA and Alliance Airlines’ Perth operating bases, increased flexibility and optimisation of aircraft utilisation through combining their fleets, and combining VARA’s (Virgin Australia’s) national regular passenger network with Alliance Airlines national charter network.

However, given the ACCC’s conclusion that the Charter Alliance is likely to lessen competition for FIFO services in Western Australia, it is unlikely that the benefit of these efficiencies will be substantially passed through to corporate customers in Western Australia. The ACCC has therefore placed less weight on these potential public benefits.

Further information, including a copy of the draft decision, is available from the ACCC’s Public Registers.

Under the proposed Charter Alliance, VARA and Alliance Airlines propose to jointly bid for and contract with corporate charter customers in relation to the provision of fly-in-fly-out (FIFO) air services. They also propose to cooperate in relation to various aspects of their FIFO operations including aircraft maintenance, airport handling, check-in, frequent flyer programs, lounge access, scheduling, pricing, and sales and marketing.

VARA operates from a base at Perth airport, primarily providing charter flights throughout Western Australia. VARA also has access to Virgin Australia’s national network of regular passenger services. Alliance Airlines has a national network of charter services but only

offers limited regular passenger services. There is significant operational overlap between VARA and Alliance Airlines in the provision of charter services in Western Australia.

Notes to editors

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 public benefit resulting from the conduct outweighs any public detriment.

The ACCC will conduct further public consultation with interested parties regarding its draft determination. The applicants or interested parties may call a 'conference' to make oral submissions to the ACCC about the draft decision.

Media enquiries

ACCC Media 1300 138 917

MR 246/16

19 December 2016