



Australian  
Competition &  
Consumer  
Commission

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Dear interested party

## **Virgin Australia Holdings Limited proposed acquisition of 60% of Tiger Airways**

The Australian Competition and Consumer Commission (**ACCC**) is reviewing the proposal by Virgin Australia Holdings Limited (**Virgin Australia**) to acquire 60% of the issued shares of Tiger Airways Australia (**Tiger Australia**) (the **proposed acquisition**) with the remaining 40% to be retained by Tiger Airways Holdings (**Tiger Airways**). Virgin Australia Holdings Limited and Tiger Airways propose to operate Tiger Australia as a joint venture.

The ACCC is considering the proposed acquisition under section 50 of the *Competition and Consumer Act 2010* (the **Act**), which prohibits acquisitions that have the effect of substantially lessening competition in a market, or are likely to do so.

The ACCC is seeking comments from market participants and interested parties to enable it to assess the likely competitive effects of the proposed acquisition. Details about the parties, the areas of competitive overlap and relevant background information is set out in **Attachment A**. Specific issues and questions for interested parties are set out in **Attachment B**.

In order to allow consideration of your response, please provide submissions by no later than **Wednesday 28 November 2012**. Submissions should be sent electronically (preferably in PDF format) to [mergers@accc.gov.au](mailto:mergers@accc.gov.au) with the title: "Submission re: Virgin Australia /Tiger Airways - proposed joint venture to operate Tiger Australia (attention Rizvi Mridha)".

If you require an extension of time or wish to discuss the proposed acquisition by telephone please contact Rizvi Mridha on (02) 6243 1362.

If the information provided is of a confidential nature, you can be assured the details provided by you will be treated confidentially. That is, the ACCC will not disclose the confidential information to the merger parties or other third parties, other than advisors or consultants engaged directly by the ACCC, without first providing you with notice of its intention to do so, such as where compelled to do so by law. Please note that any information provided by you that you believe to be of a confidential nature should be clearly marked or identified as such.

Updates regarding the ACCC's assessment of this matter will be available on the ACCC's public Mergers Register (accessible at: [www.accc.gov.au/mergersregister](http://www.accc.gov.au/mergersregister)).

Yours sincerely

A handwritten signature in black ink, appearing to be 'Rami Greiss', written in a cursive style.

Rami Greiss  
General Manager  
Merger Investigations Branch

**The parties****Virgin Australia**

The Virgin Blue Group commenced operations in Australia in August 2000 and was listed on the Australian Stock Exchange. On 4 May 2011, the Virgin Blue Group relaunched under the Virgin Australia brand, replacing its domestic brand, Virgin Blue and its international brands Pacific Blue and V Australia. Virgin Australia currently operates approximately 3000 regular public transport (RPT) services per week to many Australian and international destinations.

**Tiger Airways Holdings**

Tiger Airways Holdings (Tiger Airways) is a Singapore incorporated company providing low cost air carrier services. Tiger Airways began operations in 2004 and its current portfolio consists of Tiger Airways Singapore, Tiger Airways Australia, Mandala Airlines in Indonesia and SEAir in the Philippines. Singapore Airlines is Tiger Airways' current largest shareholder with a 32.74% interest as at 15 June 2012.

**Tiger Australia**

Tiger Australia is a low cost air carrier based in Australia and is a wholly-owned subsidiary of Tiger Airways. Tiger Australia currently operates direct flights on the following eleven domestic RPT routes with a fleet of 11 aircraft:

- Melbourne – Adelaide
- Melbourne – Brisbane
- Melbourne – Cairns
- Melbourne - Hobart
- Melbourne – Mackay
- Melbourne – Gold Coast
- Melbourne – Perth
- Melbourne – Sydney
- Sydney – Brisbane
- Sydney – Gold Coast
- Sydney – Mackay

Virgin Australia operates direct flights on all of the above routes except Melbourne – Mackay.

**The Transaction**

Virgin Australia and Tiger Airways propose to enter into a joint venture for the operation of Tiger Airways Australia. Under the joint venture Virgin Australia will acquire a 60% interest in Tiger Airways' Australia operations, with a 40% shareholding still remaining with Tiger Airways. Virgin Australia submits that Tiger Airways will retain its separate airline identity.

**Your business**

1. Please describe your business or organisation and any relationship you have with Virgin Australia and/or Tiger Australia (e.g. competitor, supplier, customer, industry body or interested third party).

**Relevant markets and current competitive constraints on the Virgin Australia and Tiger Australia**

In assessing past matters in the aviation industry the ACCC has conducted its analysis on the basis of a number of different relevant markets depending upon the activities of the parties involved, including the 'market for regular domestic air passenger transport services within Australia'.

The ACCC notes that Tiger Australia has a particular focus on low cost domestic flights and that this may be relevant in determining the relevant market(s) in which to assess any competition effects that may arise from the proposed acquisition.

2. Please provide your view as to the relevant markets for assessing the competition effects of the proposed acquisition, including whether the 'market for regular domestic air passenger transport services within Australia' is a relevant market, and whether it is also appropriate to analyse the effect of the proposed acquisition on competition in a more narrowly defined 'market for low cost domestic air passenger transport services'.
3. Please comment on the competition that currently exists between Virgin Australia and Tiger Australia and in particular the *closeness* of competition between them. In doing so, please address the following dimensions:
  - a. price, including specials and promotions;
  - b. frequency of flights on each route;
  - c. aircraft quality, service quality, on time running, inclusions and extras; and
  - d. range of destinations.
4. Please comment on the extent of competition that is currently provided by other providers of air passenger transport services in Australia including Qantas (through Qantas, Qantaslink and Jetstar), Skywest, Regional Express and any other providers you consider significant. In responding, please comment on the *closeness* of competition between these providers and Virgin Australia and Tiger Australia respectively.

**Possible competitive constraints through the threat of entry or expansion**

5. The ACCC will consider the extent to which actual or threatened new entry or expansion by competitors would provide a competitive constraint that would prevent the parties from increasing prices and/or decreasing service quality/frequency.

Please comment on:

- a. whether you consider it likely that a new competitor (including overseas competitors not currently operating in Australia) will commence operations in Australia on a scale similar to that of Tiger in the foreseeable future (including the reasons for your view);

- b. your view about the likely response of Qantas (including Jetstar and Qantaslink) or any other existing competitor to the proposed acquisition, including any changes to capacity, fares, service levels, fleet size or any other relevant aspect of its operations.

**Likely effect of the proposed acquisition**

- 6. What do you consider to be the likely effect of the proposed acquisition on competition? In particular:
  - a. Do you consider that the proposed acquisition is likely to provide Virgin Australia and/or Tiger Australia with the ability or incentive to increase prices and/or decrease service quality/frequency? Why or why not?
  - b. Is Tiger an exceptionally vigorous and effective competitor? For instance, has Tiger Australia been responsible for any significant changes to pricing or the way that airline services are delivered, and would the incentive for such competition/innovation be reduced by the proposed acquisition?
  - c. What impact, if any, is the proposed acquisition likely to have on the frequency of low cost services provided in Australia?

**Other information**

- 7. Please provide any other information that you consider may be relevant to the ACCC's assessment of the proposed acquisition.