



27 June 2019

Mr Darrell Channing  
Director  
Adjudication  
Australian Competition & Consumer Commission  
23 Marcus Clarke Street  
Canberra ACT 2601

By email: [adjudication@acc.gov.au](mailto:adjudication@acc.gov.au)

Dear Darrell,

**Virgin Australia and Virgin Atlantic Proposed Cooperation – Application AA1000443**

We refer to the application for interim authorisation and authorisation dated 3 June 2019 (**Application**) in respect of a proposed long term cooperation agreement between Virgin Australia and Virgin Atlantic in relation to services between Australia and the UK/Ireland, via Hong Kong, Los Angeles and future midpoints (**Proposed Cooperation**) and to correspondence from the Australian Competition and Consumer Commission (**ACCC**) on 7 June 2019 seeking comment on the Application.

The Qantas Group broadly agrees that codeshares and alliances between airlines are generally pro-competitive and deliver customer benefits by enabling airlines to offer extended networks and services that would not otherwise be possible. We support claims by Virgin Australia and Virgin Atlantic that the relevant markets to the UK/Ireland are characterised by strong competition including by end-point and mid-point carriers (Application, page 12).

While we agree that the market between Australia and Hong Kong is growing in terms of passenger and capacity volumes as the Application states (page 18), we reject any insinuation that Qantas – simply by virtue of its relative share or load factors – is necessarily ‘dominant’ (as claimed, for instance in the Application page 26) or that the market is not intensely competitive.

We also note that the Application refers to the draft decision of the International Air Services Commission (**IASC**) to decline the application for variation of the codeshare between Qantas and Cathay Pacific dated 24 May 2019 [2019] IASC 204d (**IASC Draft Decision**). The IASC Draft Decision was issued prior to the lodgement of this Application by Virgin Australia and Virgin Atlantic. As the ACCC would be aware, Qantas has called upon the IASC to re-examine and substantiate its views on likely competitive effects of the proposed codeshare variation (see Qantas’ letter to the IASC dated 14 June 2019).<sup>1</sup>

The Proposed Cooperation between Virgin Australia and Virgin Atlantic is reflective of the dynamic nature of competition that characterises aviation markets. The Application recognises this, in saying that ‘...*the Proposed Cooperation is likely to trigger a competitive response from other airlines including Qantas and its partners, including Emirates and Cathay Pacific*’ (Application, page 22). Qantas’ application to the IASC to vary its codeshare with Cathay Pacific – which will facilitate further connectivity and schedule options for Australian consumers – should be properly characterised as another example of rivalry and innovation in this competitive market.

If authorised, the Proposed Cooperation will provide Virgin Australia and Virgin Atlantic with new ways to further and immediately strengthen the effectiveness of Virgin Australia’s operations to Hong Kong – in

<sup>1</sup> Available: [https://www.iasc.gov.au/applications/files/20190614\\_Qantas\\_Response\\_to\\_Draft\\_Decision\\_Hong\\_Kong.pdf](https://www.iasc.gov.au/applications/files/20190614_Qantas_Response_to_Draft_Decision_Hong_Kong.pdf)



fact, the Application claims that the Proposed Cooperation will be '*crucial to the sustainable operations of Virgin Australia's between Australia and Hong Kong*' (Application, page 1) and '*important to increase passenger feed to Virgin Australia's recently launched services between Australia and Hong Kong*' (Application, page 3). It will enable these carriers to closely coordinate in respect to pricing, sales, marketing, capacity, corporate contracts, product and other services and operations in a way that will not occur in the context of an arms-length codeshare relationship between Qantas and Cathay Pacific.

We are happy to discuss any aspect.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Finch', written in a cursive style.

Andrew Finch  
General Counsel and Company Secretary