



FILE NOTE – RECORD OF MEETING

Matter name:	Virgin Blue Airlines Pty Ltd & Ors - Authorisations - A91151, A91152, A91172 & A91173		
ACCC	Darrell Channing, Teresa Nowak and Clare McGinness		
Tourism Australia	Frances-Anne Callaghan and Leigh Sorensen		
Date / Time:	26 August 2009/3pm	File no	C2009/1316

ACCC staff attended a teleconference with Frances-Anne Callaghan (Executive General Manager International (Western)) and Leigh Sorensen (Manager, International (Western) -) of Tourism Australia, to discuss the Virgin Blue Group and Delta Airlines Inc application for authorisation.

The following issues were discussed during the teleconference:

- Ms. Callaghan noted that because the Australian tourism industry is so reliant on aviation (99% of international tourists arrive by aircraft), Tourism Australia sees any additional capacity as a good thing. Ms. Callaghan explained that from the perspective of Tourism Australia, overall seat capacity is important, not who the passenger flies with is. If the proposed joint venture increases capacity on the Trans-Pacific route, it will be seen as favorable from a tourism perspective.

Ms. Callaghan noted that Delta's entry on the Trans-Pacific route has opened up eastern seaboard markets that may not have been previously easily accessible.

- To the extent that Tourism Australia can comment on competition, Ms. Callaghan noted that currently the number of V-Australia and Delta flights on the Trans-Pacific route is quite limited, therefore the impact of the joint venture on competition might not be so high. One disadvantage of less competition between these market players may be reduced advertising/marketing. Tourism is highly reliant on marketing of the route by market players.
- Tourism Australia submitted that the proposed joint venture between Delta and Virgin Blue will get international visitors around the country, which will be beneficial to the Australian tourism industry. One of Tourism Australia key targets is dispersal of travellers around the country. Ms. Callaghan encouraged ACCC staff to look at the Tourism Australia's *International Visitors Survey (March 2009)*, as it will show where people from United States are traveling throughout Australia.¹

¹ www.tra.australia.com/content/documents/IVS/International%20Visitors%20to%20Australia,%20March%202009.pdf

- Ms. Callaghan submitted that the joint venture may make access to the Trans-Pacific route easier for those living in cities such as Boston or Atlanta, which have sophisticated travel populations.
- Ms. Callaghan submitted that United States travellers tend to equate the cost of a flight with the distance flown. The Trans-Atlantic route [United States to Europe] has been competitive for some time and the recent drop in fares on the Trans-Pacific route means Australia is starting to compete with Europe as a holiday destination. Until recently, high air fares meant United States travellers had a psychological barrier to Australia.
- Mr. Sorensen submitted that it is difficult to tell whether the recent drops in air fares on the Trans-Pacific route is attributable to the global economic crisis or to the entrance of new competitors on the route [V-Australia and Delta]. Specifically, Mr. Sorensen noted that air fares may have decreased regardless of the recent additional competition on the Trans-Pacific route.
- Tourism Australia monitors economic conditions closely and directed ACCC staff to their recent *Global Market Monitor report (August 2009)*.² Ms. Callaghan noted that the US economy has been very badly affected by the current global economic crisis.

² http://www.tourism.australia.com/content/Global_Market_Monitor/GMM%20long%20version%20August%202009.pdf