

McGinness, Clare

From: Alastair Corrigan [ACorrigan@gtlaw.com.au]
Sent: Wednesday, 14 October 2009 1:51 PM
To: McGinness, Clare
Cc: Luke Woodward; {F102552}.Docs@eFile.gtlaw.com.au
Subject: VBA/Delta authorisation - redacted version of updated capacity share letter [G+T-DOCS.FID102552]
Follow Up Flag: Follow up
Flag Status: Blue
Attachments: 3293623_1_Ltr to ACCC re capacity shares [public version].PDF

Dear Clare,

As discussed earlier, attached is a redacted version of our letter of 4 September 2009 which is suitable for the Commission's public register.

Best regards,
Simon / Alastair

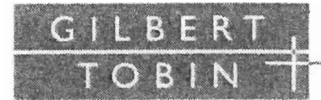
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LAWYERS

14 October 2009

By email

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[Restriction of publication of part claimed]

Dear Mr Channing and Ms McGinness

Virgin Blue Airlines Pty Ltd and Delta Air Lines, Inc - Applications for authorisation A91151-A91152 and A91172-A91173

We refer to our telephone call with Darrell Channing of 17 August 2009, our letter of 21 August 2009 to the Australian Competition and Consumer Commission (ACCC) and the supporting submission accompanying the Authorisation Application lodged on 9 July 2009 (**Applicants' Supporting Submission**).

As advised in the Applicants' Supporting Submission, upon delivery of a fourth Boeing 777-300ER aircraft, V Australia had planned to commence three times weekly direct services between Melbourne and Los-Angeles. V Australia also intended to introduce a fourth weekly service between Brisbane and Los Angeles.

This letter is provided to the ACCC on a confidential basis. The information contained within is commercially confidential and the Applicants therefore request that this letter be excluded from the ACCC's public register. The information is highly commercially confidential as it relates to the international strategy, business planning and development, performance and planning activities of the Applicants. The disclosure of this information would therefore unreasonably and adversely affect the Applicants in respect of their lawful business, commercial and financial affairs.


1 Reductions in planned Trans-Pacific services

As discussed during our telephone call and referred to in our letter of 21 August 2009, on 17 August 2009 V Australia announced reductions to the scope of its planned Trans-Pacific services. The schedule changes are as follows:

- V Australia has delayed the introduction of its direct Melbourne - Los Angeles services to 1 December 2009;
- when V Australia's direct Melbourne-Los Angeles services commence, they will be on a twice-weekly basis only (not three times weekly); and
- V Australia will not be operating the planned fourth weekly Brisbane-Los Angeles service.

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As set out in the letter of 21 August 2009, in order to offset the commercial and operational effects of these reductions in planned Trans-Pacific services V Australia has announced that it will commence a number of limited "opportunistic" services in the short term on limited Asian and Pacific routes. The services that have been announced are:

- a twice weekly direct Brisbane - Phuket service commencing 22 November 2009; and
- a once weekly Melbourne - Phuket service commencing 3 December 2009.

V Australia has also sought government approval to operate V Australia services between Australia and Nadi (Fiji), this being a further potential route for its Boeing 777-300ER fleet. V Australia has also confirmed that it will commence direct Melbourne - Johannesburg services on 13 March 2010. V Australia has not publicly announced the frequencies of that service. [Restriction of publication of part claimed]

V Australia notes that it has taken the decision to redirect aircraft away from planned Trans-Pacific services due to the considerable difficulties it is facing growing its Trans-Pacific presence absent the Virgin Blue / Delta Joint Venture. The decision to redeploy some of its Boeing 777-300ER capacity in the short term on short range routes involves a sub-optimal utilisation of V Australia's aircraft - not only are these aircraft less fuel efficient on these sectors than they would be on Trans-Pacific services, the increased rotations (i.e. sectors flown) also increases the maintenance and servicing costs for each aircraft. When commercially viable, V Australia therefore currently intends to redirect its 4th aircraft (and additional aircraft) back onto Trans-Pacific services (such as those that were initially planned for Melbourne and Brisbane). For the reasons set out in the Applicants' Supporting Submission and the letter of 21 August 2009, the commencement of the Virgin Blue / Delta Joint Venture will be key to commercial viability of increases in Trans-Pacific services.

2 Revised projects seat capacity shares

Section 6.2 of the Applicants' Supporting Submission provided the ACCC with projected seat capacity shares for the period beginning December 2009 for each carrier operating direct Trans-Pacific routes (both in aggregate for non-stop services to mainland United States (Figure 6) and on a city-pair basis (Figure 7).

Set out in Annexure A to this letter are revised seat capacity shares which account for the reduction in V Australia's planned Melbourne-Los Angeles and Brisbane-Los Angeles services (discussed above). We note that the figures below are based on the same data and using the same assumptions as the previous capacity share figures provided to the ACCC (for detail see the explanatory notes on pages 30 and 31 of the Applicants' Supporting Submission).

Should you have any questions regarding this material please do not hesitate to contact either of us.

Yours sincerely

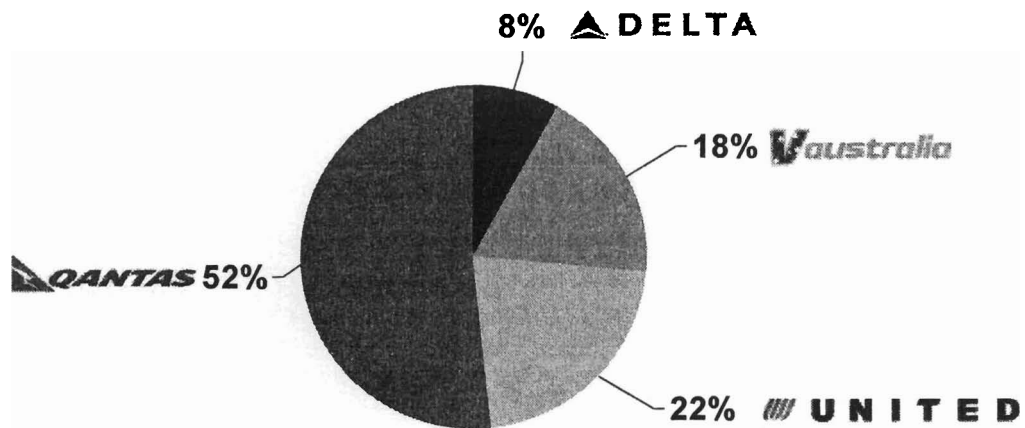
per G. Cass - Gobbels

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Annexure A

Updated Figure 6 from Applicants Supporting Submission - Projected Non-Stop Flight Capacity share - Australia ↔ mainland United States as at December 2009



Carrier	Sectors/wk	Seats/wk	Capacity Share
QANTAS	66	24592	52%
Australia	24	8664	18%
UNITED	28	10472	22%
DELTA	14	3892	8%
Total	132	47,620	100.0%

Updated Figure 1 from Applicants' Supporting Submission- Projected Non-Stop Flight Capacity Share (City-Pair) - as at December 2009

Carrier	Sydney ↔ Los Angeles	Sydney ↔ San Francisco	Brisbane ↔ Los Angeles	Melbourne ↔ Los Angeles
QANTAS	43%	37%	73%	78%
UNITED	21%	63%		
Australia	20%		27%	22%
DELTA	16%			
Total	100.0%	100.0%	100.0%	100.0%