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Dr Richard Chadwick
General Manager Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra
ACT 2601
AUSTRALIA

Dear Dr Chadwick,

**Re – Proposed Application for Authorisations by Virgin Blue Airlines and
Delta Airlines (A91151 & A91152)**

Thank you for allowing Air Pacific Limited to provide input into the application by the Virgin Blue Group and Delta Air Lines Inc for joint commercial operations on Trans-Pacific Routes.

As background, Air Pacific currently operates up to twenty two services a week between Australia and Fiji with connections on to five per week (up to six per week) Nadi - Los Angeles services. The traffic Air Pacific carries trans-pacific is a minor part of the overall market, but an important option for specific market segments. As such, Air Pacific has a peripheral interest in the application by Virgin and Delta for a commercial alliance between Australia and North America.

Air Pacific is a proponent of airline competition. Through code-share arrangements and frequent flyer participation, airlines have the ability to work together yet not become so close that consumer choice is challenged. Air Pacific utilizes these marketing tactics to compete on numerous routes in the Pacific and we hope that other airlines would see fit to use the accepted levels of alliance coordination to operate in the competitive market.

We submit that the application by Virgin and Delta to coordinate schedules, capacity, marketing activity and pricing will likely not result in the pro consumer claims outlined in the application. The entry of Virgin and Delta on Trans-Pacific routes was premised on providing stronger competition for incumbent carriers,

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Qantas and United Airlines, with both Virgin and Delta advocating consumers would benefit from lower fares, greater choice in frequency and broader product offerings. The proposed alliance contradicts the fundamental principles advocated prior to service commencement.

Furthermore, the recent rejection by the ACCC of Air New Zealand and Air Canada's proposal for commercial cooperation between Australia and Canada sets a precedent that has direct relevance to this application.

Air Pacific submits that the joint venture application between the Virgin Blue Group and Delta Air Lines Inc should be judged based on its ability to benefit consumers and promote healthy competition in the marketplace. If the primary motivation of both carriers is to consolidate operations in a bid to ensure long term viability of their business on the route, this reflects poor planning on their part as all commercial and operational considerations should have been fully evaluated prior to commencement of services on the route.

We look forward to the outcome of the determination and appreciate the opportunity to submit our views.

Yours sincerely



Martin White
Executive GM Commercial