



FILE NOTE – RECORD OF MEETING			
Matter name:	Virgin Blue Airlines Pty Ltd & Ors - Authorisations - A91151 & A91152 & A91172 & A91173		
ACCC	Teresa Nowak and Clare McGinness		
Australian Federation of Travel Agents	Jayson Westbury		
Date / Time:	19 August 2009/11am	File No.	C2009/1316

ACCC staff attended a teleconference with Jayson Westbury, Chief Executive of the Australian Federation of Travel Agents (AFTA), to discuss the Virgin Blue Group and Delta Airlines Inc application for authorisation (Application).

The following issues were discussed during the teleconference:

- Mr. Westbury informed the ACCC that the AFTA Board had resolved not to make a formal submission in response to the Application. However Mr. Westbury was happy for a record of the teleconference to appear on the ACCC's public register.
- AFTA does not have any marked concerns with the applicants' joint venture proposal as outlined in their Application.
- AFTA would prefer to see three functioning, viable and profitable carriers on the Trans-Pacific route rather than a reversion to the duopoly between Qantas and United. AFTA considers that consumers and the industry will benefit from having three viable carriers. Mr. Westbury notes that this is not to assume V-Australia or Delta would withdraw from the route absent authorisation of the joint venture.
- AFTA distinguished the present Application from last year's application by Air New Zealand/Air Canada, noting that the former involves a reduction of players from 4 to 3 while the latter involves a reduction of 2 to 1. AFTA's concerns in relation to the Air New Zealand/Air Canada application for authorisation were due to the exclusive nature of the route, noting that if the joint venture was approved there would have been no competition on the route.
- Mr. Westbury noted that Delta's application for authorisation raises the question of whether the independent operation by Delta on the Trans-Pacific route is commercially sustainable. In particular, it would seem unlikely that Delta, as the largest airline in the world, would opt for entry into a joint venture arrangement on the Trans-Pacific route unless independent operation was considered commercially unviable.

- Mr. Westbury explained the benefits that may be derived from a joint venture arrangement over and above a codeshare or interline arrangement. For example, a joint venture arrangement could provide the ability to engage in closer coordination such as use of a combined back-office and computing systems that may allow for enhanced streamlining of transfer and luggage check-in services for passengers with domestic connections.
- AFTA notes that there is nothing in the Application to suggest that travel agent commissions or incentive arrangements will change under the joint venture. AFTA considers the applicants may even have incentive to improve commissions under the joint venture, as they will be competing with two established incumbents. AFTA was concerned that the Air New Zealand/Air Canada proposal may have reduced travel agent commissions because it would have resulted in a monopoly.
- Mr. Westbury explained that Delta is a member of the International Air Transport Association (IATA), and the joint venture may enable V-Australia to access the benefits of IATA membership.
- Mr. Westbury explained that the demand outlook is quite good from the retail perspective, noting that outbound international traffic numbers are on the increase. The Australian dollar has been buying around 80 US cents for approximately the last four months, which has had a significant effect on outbound traffic. V-Australia's recent release of \$777 return airfares to Los Angeles sparked a lot of interest in the Trans-Pacific route in general.
- Mr. Westbury noted that the Trans-Pacific route is quite different to other routes, for example, the Australia – Europe market is much more competitive due to stop over options in Asia or even the Middle East.
- Mr. Westbury noted that the Virgin/Delta joint venture proposal may result in the following benefits with respect to new routes/frequencies:
 - Streamlined ticketing where consumers can purchase multiple flights, for example travel from Sydney to Dallas, on a single ticket.
 - Better alignment of beyond gateway flight times for popular routes. For example, V-Australia may currently have difficulties getting a LA to Chicago flight to align with its flight from Sydney to LA.
 - Efficient scheduling.
 - Increased consumer convenience as a result of better scheduling of connecting domestic flights may spark greater interest in the route, creating demand and increased frequencies.
- Mr. Westbury outlined a hypothetical example where there are two planes leaving at similar times that are only half full. A joint venture may enable the carriers to join their services, which would have significant efficiency gains and cost savings. He explained that this would be a problem if there were only two carriers on the route. However, where there

are two other competitors remaining on the route, the same negative consequences are unlikely to arise.

- AFTA concluded by noting that the Trans-Pacific route is a very important route for Australian Tourism.
- After been given the opportunity to review this record of meeting, Mr. Westbury was happy for the document to appear on the ACCC's public register.