



Gold Airways.

Virgin Australia Group & Singapore Airlines - Authorisations - A91267 & A91268

Gold Airways is an aspirant Australian based, Australian domestic and international airline venture proposing to conduct an Initial Public Offer by Prospectus in the 3rd Quarter of 2011.

The Application before the ACCC asks for the regulator for approval for an alliance between the airline groups.

It is this alliance that is at the heart of this application and the integrated investment each airline has in the other.

We understand Virgin Australia group has Air New Zealand holding a share of 14 % and Virgin Atlantic, through Mr. Richard Branson, also owning a share of the airline group in the order of about 20 %. The Virgin Australia group already operates a code share agreement and alliances with many airlines, including Air New Zealand, Etihad airlines, Delta Air lines, Virgin Atlantic, Skywest and partnerships with Regional Express (REX) airlines and Malaysian airlines.

The Singapore Airlines group also holds a financial share in Virgin Atlantic and other airlines in the region including, indirectly Tiger Airways Australia. The Singapore Airlines group already holds, through the Star Alliance, code share agreements and alliances with a large number of airlines including Air New Zealand, Delta Air lines, Virgin Atlantic and this application would, in essence, be formalising the alliances already in place.

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The Star Alliance also has a gap in its network with Singapore Airlines, Air New Zealand and other alliance members operating into Australia and not having a member airline in Australia. The One World alliance has Qantas Airways to fill this role in Australia. On the face of it, we think this application would see the integration of the Virgin Australia group into the Star Alliance group giving them access to the other Star Alliance members. We understand Singapore Airlines code share arrangements are extensive as outlined in Table 1. There is no doubt that the alliance would bring about a notion of a much smoother and integrated opportunity for the travelling public for seamless travel arrangements for those needing to embrace it.

Table 1: Singapore Airlines – Code Share Partners (subject to change)

Adria Airways (JP)	British Airways (BA)	Garuda Indonesia (GA)	Shanghai Airlines (FM)	US Airways (US)
Aegean Airlines (A3)	British Midland Airways (BD)	Iberia (IB)	SilkAir (MI)	Vietnam Airlines (VN)
Aer Lingus (EI)	Blue1 (KF)	Icelandair (FI)	South African Airways (SA)	Virgin Atlantic Airways (VS)
Air Canada (AC)	Brussels Airlines (SN)	KLM Royal Dutch Airlines (KL)	Spanair (JK)	Wideroe Flyveselskap (WF)
Air China (CA)	Continental Airlines (CO)	LOT Polish Airlines (LO)	Swiss International Airlines (LX)	
Air India (AI)	Croatia Airlines (OU)	Lufthansa (LH)	TAM Linhas Aereas (JJ)	
	Delta Air Lines (DL)	Olympic Airways (OA)	TAM Airlines (PZ)	
All Nippon Airways (NH)	Dragonair (KA)	Philippine Airlines (PR)	TAP Air Portugal (TP)	
American Airlines (AA)	EgyptAir (MS)	Qantas Airways (QF)	Thai Airways (TG)	
Asiana Airlines (OZ)	EL AL Israel Airlines (LY)	Royal Brunei Airlines (BI)	Turkish Airlines (TK)	
Austrian Airlines (OS)	Emirates Airline (EK)	Scandinavian Airlines (SK)	United Airlines (UA)	

One could reasonably expect that this alliance would bring benefits of seamlessness and IT connectivity to travellers within the alliance.

In reality, independent airlines can reap substantial benefits by not being part of an alliance, focusing instead on tactical approaches that can deliver higher frequency, route variations and higher levels of service than alliance carriers can deliver so that alliance travellers do have a choice to travel outside the alliance. Gold Airways proposition to be the transfer carrier of choice within Australia would see the alliance benefiting Gold Airways indirectly. Travellers do not need to be bound to always travel within an alliance. But if Gold Airways ever would have a desire to be part of the Star Alliance, this (Virgin- Singapore) alliance could mean it is unable to simply because it would result in anti-competitive behaviour, which is not in the public interest.

In its desire to compete directly on fares with Tiger Airways Australia, Gold Airways would see itself also competing aggressively with the alliance insofar as domestic operations are concerned making it an attractive target for a third alliance or an alliance with non-aligned carriers wishing to enter the Australian domestic market. We believe the formation of the alliance between Virgin Australia and Singapore Airlines is, therefore, likely to decrease competition if there are not more alternative independent alliance opportunities created. It seems there is a conflict of interest for Singapore Airlines to have an indirect or direct interest in Tiger Airways Australia if that results in Tiger

Airways not being able to join an independent alliance to increase choice, or if Tiger Airways Australia finds itself compelled not to compete aggressively on routes flown by the alliance members with the view to increasing higher fare patronage on alliance member flights or creating a class distinction or segregation between traveller types. This could result in average airfare increases on major trunk routes.

What is important here is that close scrutiny of intent of the alliance needs to be undertaken. We note that there is opportunity to go beyond code sharing, with the opportunity to cooperate to pricing of airfares, development of pseudo competing itineraries and sharing of assets within and outside of the Australian domestic market. In acquiring interests in competing airlines, real competitive behaviour, is in our view, substantially diminished.

Whilst we can conclude that the alliance will see benefits for the alliance airlines in terms of resource rationalisation and, therefore, benefits passengers who can utilise the core offering of the alliance, we believe it will grossly unbalance alliance choice in the region. This would likely result in across the board fare increases and a lack of available low cost seats as preference is given to travellers within the alliance.

This would substantially decrease competition and would result in upward pressure on inflation within Australia.

Accordingly we believe the proposed alliance should not be approved.

Yours Sincerely



Jens H. Buche

Executive Director

RMA Gold Airways Limited

15 August 2011