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By Email adjudication@accc.gov.au

Dear Dr Chadwick

SUPPORT FOR PROPOSED VIRGIN AUSTRALIA – SKYWEST ALLIANCE

Thank you for the opportunity to comment on the Application for Authorisation for the Virgin Australia – Skywest Alliance.

It has been amply demonstrated in domestic and international air travel markets that medium and long term consumer and public benefits are maximised when there is credible and sustained competition between financially sound carriers.

Another long standing feature of Australian airline industry economics is the importance to Australian carrier profitability of the corporate travel sector. The focus in the Virgin Australia - Skywest Application is the rapidly expanding fly in-fly out market in both the mining and oil and gas sectors which has added a significant new segment to the Australian domestic corporate market.

The ACCC would also be aware that a developing phenomenon worldwide has been industry consolidation through acquisition, merger or entering into alliances such as the one proposed between Virgin Australia and Skywest. In overview terms this is driven by the industry necessity to offer better service to international and domestic travellers, reduce costs through the generation of economies of scale and scope and compete more effectively by offering the complete range (product bundling) of services to target market segments.

There are significant public and consumer benefits (outlined below) likely arising from the proposed Corporate Alliance.

Strengthened Competition in Resources Sector Corporate Market

There is a strong commercial driver for the Corporate Alliance for both companies based on their inability to individually provide the comprehensive service offerings required by the resources sector.



Neither Virgin Australia or Skywest are able to offer the complete range of services necessary to effectively compete. The proposed Corporate Alliance, if authorised, allows both carriers to offer all services the resources sector and associated industries require. As the proposal allows the number of competitors able to offer the full range of services to increase from one to two in a key Australian industry sector, the Corporate Alliance facilitates a significant increase in competition in the Australian corporate travel market.

No Detriment to Wider Airline or Charter Competition

As Virgin Australia and Skywest have complementary scheduled airline networks with potential competition very much at the margins, there is no impact on airline competition in regional airline, domestic or international airline markets. Both have also agreed not to cooperate on their respective RPT services except where the RPT services form part of an integrated offer to a corporate customer.

Only one company (Skywest) has a significant charter capability so there is no risk to reduced competition in the charter market.

Public Benefits of Corporate Alliance

The public benefits arising from the Corporate Alliance, apart from increased competition in a growing Australian airline and charter market, include:

- improved service offerings for the fly in-fly out market (eg better international and domestic connectivity, improved loyalty program benefits);
- cost savings and synergies accruing to the Corporate Alliance partners;
- probable reduced costs for the resources sector where international and/or interstate travel and closed charter services can be rolled into the one contract; and
- the capacity of the Australian aviation sector to meet the service and price requirements of the resources sector is increased.

Conclusion

Northern Territory Airports supports the ACCC authorisation of the Virgin Australia – Skywest Corporate Alliance.

Yours sincerely



IAN KEW

Chief Executive Officer