

Form A

Commonwealth of Australia

Competition and Consumer Act 2010 — subsections 88 (1A) and (1)

EXCLUSIONARY PROVISIONS AND ASSOCIATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under subsection(s) 88 (1A)/88 (1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act.
- to make a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would be, or might be, an exclusionary provision within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding where the provision is, or may be, an exclusionary provision within the meaning of section 45 of that Act.

(Strike out whichever is not applicable)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

- (a) Name of Applicant:
(Refer to direction 2)

A91468 Etihad Airways PJSC (**Etihad**).

- (b) Description of business carried on by applicant:
(Refer to direction 3)

International air transport services from a hub in Abu Dhabi.

- (c) Address in Australia for service of documents on the applicant:

Simon Uthmeyer
Partner
DLA Piper
Level 17, 140 William St
Melbourne Victoria 3000
simon.uthmeyer@dlapiper.com

2. Contract, arrangement or understanding

- (a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:
(Refer to direction 4)

Co-operation agreement between Etihad and Alitalia. Further details are contained in the attached submission.

- (b) Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, exclusionary provisions and (if applicable) are, or would or might be, cartel provisions:
(Refer to direction 4)

Provisions providing for co-operation between Etihad and Alitalia in relation to various matters including scheduling and pricing. Further details are contained in the attached submission.

- (c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

International air transport services. Further details are contained in the attached submission.

- (d) The term for which authorisation of the provision of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

The duration of the partnership, or, alternatively, a period of not less than 10 years. Further details are contained in the attached submission.

3. Parties to the proposed arrangement

- (a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

Alitalia Compagnia Aerea Italiana S.p.A (**Alitalia**), an Italian company having its registered office at Piazza Almerico Da Schio s.n.c. 00054 Fiumicino, Rome, Italy. Alitalia provides international air transport services from its hub in Italy.

- (b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:
(Refer to direction 5)

Alitalia (details as per 3(a) above).

4. Public benefit claims

- (a) Arguments in support of application for authorisation:
(Refer to direction 6)

Refer to attached submission.

- (b) Facts and evidence relied upon in support of these claims:

Refer to attached submission.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

Refer to attached submission.

6. Public detriments

- (a) Detriments to the public resulting or likely to result from the contract arrangement or understanding for which authorisation is sought, in particular the likely effect of the contract arrangement or understanding, on the prices of the goods or services described at 2 (c) and the prices of goods or services in other affected markets:
(Refer to direction 8)

Refer to attached submission.

- (b) Facts and evidence relevant to these detriments:

Refer to attached submission.

7. Contracts, arrangements or understandings in similar terms

- (a) This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding:

- (b) Is this application to be so expressed?

Yes.

(c) If so, the following information is to be furnished:

- (i) description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:

(Refer to direction 9)

This application also applies to contracts, arrangements or understandings contemplated by the Co-operation Agreement in order to give effect to that agreement.

- (ii) Where the parties to the similar term contract(s) are known — names, addresses and descriptions of business carried on by those other parties:

(Refer to direction 10)

Not applicable.

- (iii) Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

- (a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

No.

- (b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Not applicable.

- (c) If so, by whom or on whose behalf are those other applications being made?

Not applicable.

9. Further information

- (a) Name, postal address and telephone contact details of the person authorised by the applicant seeking authorisation to provide additional information in relation to this application:

Simon Uthmeyer

Partner

DLA Piper

Level 17, 140 William St

Melbourne Victoria 3000

simon.uthmeyer@dlapiper.com

Dated: Dated: 6 November 2014

Signed by/on behalf of the applicant

A handwritten signature in black ink, appearing to read 'S.J. Uthmeyer', written over a horizontal line.

.....
(Signature)

Simon James Uthmeyer
Partner
DLA Piper

DIRECTIONS

1. Use Form A if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision and which is also, or might also be, an exclusionary provision. Use Form B if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision or a provision which would have the purpose, or would or might have the effect, of substantially lessening competition. It may be necessary to use both forms for the same contract, arrangement or understanding.

In lodging this form, applicants must include all information, including supporting evidence, that they wish the Commission to take into account in assessing their application for authorisation.

Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to be signed by a person authorised by the corporation to do so.
3. Describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding in respect of which authorisation is sought.
4. Provide details of the contract, arrangement or understanding (whether proposed or actual) in respect of which the authorisation is sought. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, exclusionary provisions. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, cartel provisions.

In providing these details:

- (a) to the extent that any of the details have been reduced to writing, provide a true copy of the writing; and
 - (b) to the extent that any of the details have not been reduced to writing, provide a full and correct description of the particulars that have not been reduced to writing.
5. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.
 6. Provide details of those public benefits claimed to result or to be likely to result from the proposed contract, arrangement or understanding including quantification of those benefits where possible.
 7. Provide details of the market(s) likely to be effected by the contract, arrangement or understanding in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the application for authorisation.

8. Provide details of the detriments to the public, including those resulting from any lessening of competition, which may result from the proposed contract, arrangement or understanding. Provide quantification of those detriments where possible.
9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.
10. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, and descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.

Form B

Commonwealth of Australia

Competition and Consumer Act 2010 — subsections 88 (1A) and (1)

AGREEMENTS AFFECTING COMPETITION OR INCORPORATING RELATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under subsection(s) 88 (1A)/88 (1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act).
- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act).
- to make a contract or arrangement, or arrive at an understanding, a provision of which would have the purpose, or would or might have the effect, of substantially lessening competition within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding which provision has the purpose, or has or may have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

(Strike out whichever is not applicable)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

- (a) Name of Applicant:
(Refer to direction 2)

A91469 Etihad Airways PJSC (**Etihad**).

- (b) Short description of business carried on by applicant:
(Refer to direction 3)

International air transport services from a hub in Abu Dhabi.

- (c) Address in Australia for service of documents on the applicant:

Simon Uthmeyer
Partner
DLA Piper
Level 17, 140 William St
Melbourne Victoria 3000
simon.uthmeyer@dlapiper.com

2. Contract, arrangement or understanding

- (a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:
(Refer to direction 4)

Co-operation agreement between Etihad and Alitalia. Further details are contained in the attached submission.

- (b) Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, cartel provisions, or that do, or would or might, have the effect of substantially lessening competition:
(Refer to direction 4)

Provisions providing for co-operation between Etihad and Alitalia in relation to various matters including scheduling and pricing. Further details are contained in the attached submission.

- (c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

International air transport services. Further details are contained in the attached submission.

- (d) The term for which authorisation of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

The duration of the partnership, or, alternatively, a period of not less than 10 years. Further details are contained in the attached submission.

3. Parties to the proposed arrangement

- (a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

Alitalia Compagnia Aerea Italiana S.p.A (**Alitalia**), an Italian company having its registered office at Piazza Almerico Da Schio s.n.c. 00054 Fiumicino, Rome, Italy. Alitalia provides international air transport services from its hub in Italy.

- (b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:
(Refer to direction 5)

Alitalia (details as per 3(a) above).

4. Public benefit claims

- (a) Arguments in support of authorisation:
(Refer to direction 6)

Refer to attached submission.

- (b) Facts and evidence relied upon in support of these claims:

Refer to attached submission.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

Refer to attached submission.

6. Public detriments

- (a) Detriments to the public resulting or likely to result from the authorisation, in particular the likely effect of the contract, arrangement or understanding, on the prices of the goods or services described at 2 (c) and the prices of goods or services in other affected markets:

(Refer to direction 8)

Refer to attached submission.

- (b) Facts and evidence relevant to these detriments:

Refer to attached submission.

7. Contract, arrangements or understandings in similar terms

This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding.

- (a) Is this application to be so expressed?

Yes.

- (b) If so, the following information is to be furnished:

- (i) description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:
(Refer to direction 9)

This application also applies to contracts, arrangements or understandings contemplated by the Co-operation Agreement in order to give effect to that agreement.

- (ii) Where the parties to the similar term contract(s) are known — names, addresses and descriptions of business carried on by those other parties:

Not applicable.

- (iii) Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

- (a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

No.

- (b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Not applicable.

- (c) If so, by whom or on whose behalf are those other applications being made?

Not applicable.

9. Further information

- (a) Name and address of person authorised by the applicant to provide additional information in relation to this application:

Simon Uthmeyer

Partner

DLA Piper

Level 17, 140 William St

Melbourne Victoria 3000

simon.uthmeyer@dlapiper.com

Dated: 6 November 2014

Signed by/on behalf of the applicant

A handwritten signature in black ink, appearing to read 'S.J. Uthmeyer', with a horizontal line drawn underneath.

.....
(Signature)

Simon James Uthmeyer
Partner
DLA Piper

DIRECTIONS

1. Use Form A if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision and which is also, or might also be, an exclusionary provision. Use Form B if the contract, arrangement or understanding includes a provision which is, or might be, a cartel provision or a provision which would have the purpose, or would or might have the effect, of substantially lessening competition. It may be necessary to use both forms for the same contract, arrangement or understanding.

In lodging this form, applicants must include all information, including supporting evidence, that they wish the Commission to take into account in assessing the application for authorisation.

Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to be signed by a person authorised by the corporation to do so.
3. Describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding in respect of which the application is made.
4. Provide details of the contract, arrangement or understanding (whether proposed or actual) in respect of which the authorisation is sought. Provide details of those provisions of the contract, arrangement or understanding that are, or would or might be, cartel provisions. Provide details of those provisions of the contract, arrangement or understanding that do, or would or might, substantially lessen competition.

In providing these details:

- (a) to the extent that any of the details have been reduced to writing, provide a true copy of the writing; and
 - (b) to the extent that any of the details have not been reduced to writing, provide a full and correct description of the particulars that have not been reduced to writing.
5. Where authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.
 6. Provide details of those public benefits claimed to result or to be likely to result from the proposed contract, arrangement or understanding including quantification of those benefits where possible.

7. Provide details of the market(s) likely to be effected by the contract, arrangement or understanding, in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the authorisation.
8. Provide details of the detriments to the public which may result from the proposed contract, arrangement or understanding including quantification of those detriments where possible.
9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.

Public Register Version



**PROPOSED COMMERCIAL PARTNERSHIP BETWEEN
ETIHAD AIRWAYS PJSC AND ALITALIA COMPAGNIA
AEREA ITALIANA S.P.A.**

Submission in support of the Application for Authorisation

6 NOVEMBER 2014

PUBLIC REGISTER COPY

1 EXECUTIVE SUMMARY

Authorisation sought for the Etihad/Alitalia Partnership Etihad Airways PJSC (**Etihad**) and Alitalia Compagnia Aerea Italiana S.p.A. (**Alitalia**) (together referred to as the **Applicants**) seek authorisation to make, and to give effect to, the Commercial Co-operation Agreement (**Co-operation Agreement**), which they have agreed, subject to regulatory approval, in order to implement a commercial partnership (**Partnership**) for the purpose of closely co-operating in relation to the provision of international air travel services.

The Applicants have signed a transaction implementation agreement pursuant to which Etihad and the existing shareholders will invest €1,758 million to build a reinvigorated Alitalia. Etihad will take a 49% shareholding in Alitalia for an investment of €387.5 million. Alongside a significant cost restructuring the reinvigorated Alitalia will be able to invest in a comprehensive strategic business plan, with a greater focus on long haul flights as a result of the proposed commercial cooperation with Etihad. Completion of the equity investment is subject to completion by Alitalia and its key private and public stakeholders of certain conditions precedent and is also subject to final regulatory approvals.

The co-operation the subject of the Partnership is similar to the co-operation the subject of the commercial alliance between Etihad and Air Berlin in respect of which authorisation was granted on 25 July 2012 pursuant to authorisation numbers A91307 and A91308.

In accordance with the intent of the Partnership, Etihad and Alitalia seek authorisation to, inter alia, engage in the following activities in relation to passenger travel and cargo services:

- Work together on a co-operating basis, including reaching agreements where desirable, in respect of:
 - route and schedule co-operation;
 - pricing;
 - marketing, distribution, dealing and sales representation including consolidation of sales offices and joint travel agent and corporate account dealing; and
 - processes and working arrangements,(together the **Pricing, Scheduling and Marketing Activities**).
- Work together on a co-operating basis, including reaching

PUBLIC REGISTER COPY

agreements where desirable, in respect of:

- procurement including in respect of aircraft, engines, maintenance, repair and overhaul operations, catering, ground handling and fuel;
- freesale codesharing;
- reciprocal preferred fare pro-ration;
- loyalty programs including fully reciprocal frequent flyer programmes to achieve loyalty scheme neutrality;
- reciprocal lounge access, staff travel and staff exchange and training programmes;
- product development including seamless full service transfer products at airports;
- a global sales agreement to support sales in the United Arab Emirates;
- airport representation and ground handling; and
- technical handling,

(together the **Co-operative Activities**).

The Partnership foresees the generation of significant public benefits through Alitalia's use of Etihad's Abu Dhabi hub for travel from points in Italy to and from points in Australia and Asia. As a result Alitalia will be able to offer services to Australia, through connections from Abu Dhabi (on flights operated by Etihad). Further, in jointly purchasing main products such as aircraft the Partnership is likely to be able to negotiate more favourable terms and conditions of purchase with the suppliers of those products who are often large global suppliers, than if Etihad or Alitalia purchased the products on their own. This is likely to result in cost efficiencies for the Partnership. Where the purchased products are more local, for example fuel and ground handling, the Australian market is unlikely to be affected as Alitalia does not have a physical presence in Australia.

No adverse effect on competition

Currently, Alitalia does not operate flights on sectors to or from Australia.

Operation of its own flights from points in Italy to points in Australia is not economically viable for Alitalia. The Partnership allows Alitalia to offer air passenger services on various routes to and from Australia in a more efficient manner by operating services which connect in Abu Dhabi with flights to and from Australia operated by

PUBLIC REGISTER COPY

Etihad.

The Partnership will promote competition in the market for air services between Italy and Australia

The Partnership will allow Etihad and Alitalia to better compete in the market(s) for air transport services between Australia and Italy by offering more choice and enhanced products and services for consumers in both Italy and Australia.

Public benefits

The Partnership will deliver significant public benefits immediately, including in the form of:

- **New routes:**

- Alitalia intends to offer new services and routes including new services between Abu Dhabi and smaller Italian cities such as Venice, Catania and Bologna from Summer 2015. Those flights will connect in Abu Dhabi with flights operated by Etihad.

- **Enhancing existing products and services:**

- reciprocal access to Etihad and Alitalia airport lounges, frequent flyer and premium guest programmes; and
- improved and increased quality of services and price (fare) competition.

- **Stimulation of tourism to Australia:**

- the creation of new online itineraries from Alitalia's home market in Italy to Etihad's Australian destinations will promote tourism flows from Italy to Australia; and
- enhance promotion and distribution of services to Australian destinations through Etihad's and Alitalia's respective global networks.

Interim authorisation requested

Etihad and Alitalia should be able to engage in the Pricing, Scheduling and Marketing Activities, and the Co-operative Activities as soon as possible. The Applicants are seeking an interim authorisation for the following reasons:

- the Partnership is clearly pro-competitive and has no adverse effect on competition;
- an alliance of a similar nature has already been approved (Etihad and Air Berlin); and
- in order for the Applicants and the travelling public to

PUBLIC REGISTER COPY

realize the full benefits of the Partnership, including in respect of routes to and from Australia, the Applicants require the ability to undertake the Pricing, Scheduling and Marketing Activities, and the Co-operative Activities.

Given this urgency, and the fact that the Partnership will not result in any detriment but will immediately create public benefits, including in respect of routes to and from Australia, the Applicants seek interim authorisation as soon as possible pending a final authorisation determination to undertake the:

- Pricing, Scheduling and Marketing Activities; and
- Co-operative Activities,

(together the **Partnership Activities**).

Term of final Authorisation

The Applicants submit that on the basis that the parties to the Partnership have completely different geographic hubs and cannot reasonably be expected to both operate flights on the full route between Australia and Italy, the ACCC should authorise the Partnership and Partnership Activities for a period of at least 10 years. That period would be equivalent to the period of authorisation for the alliance between Etihad and Air Berlin.

2 THE FIRST APPLICANT – ETIHAD



Overview of operations

- 2.1 Etihad Airways, the national airline of the UAE, has in just over eight years, established itself as a successful airline operator having won numerous industry awards including the 'World's Leading Airline' at the World Travel Awards in 2013. Set up by Royal (Emiri) Decree in July 2003, Etihad commenced commercial operations in November 2003 from its base in Abu Dhabi (the capital of the UAE). In 2013, Etihad carried 11.5 million passengers. As at 31 December 2013, Etihad had a fleet of 89 aircraft, and operated flights to 102 destinations in 60 countries. Please refer to Annexure B for Etihad's international passenger network as at 31 December 2013.
- 2.2 Australia is a key market for Etihad. The airline is committed to growing its presence in Australia, and becoming an airline of choice for Australian corporate and retail customers.
- 2.3 Etihad commenced services to Australia with flights to Sydney in March 2007, Brisbane in September 2007, Melbourne in March 2009 and Perth in July 2014. As at December 2013, Etihad operated 25 services per week from Abu Dhabi to destinations in Australia.

Destination	Services per week as at December 2013	Commenced services
Sydney	11	Mar, 2007
Brisbane	7	Sep, 2007
Melbourne	7	Mar, 2009
Perth	0	July, 2014

- 2.4 Etihad's Australian head office is in Sydney. It also has offices in Melbourne and Brisbane. As at 21 August 2014, the airline employs 147 staff in Australia and maintains premises in cities around Australia, including a dedicated aircraft maintenance facility at Sydney International Airport and a call-centre in Sydney.

Etihad's business model and strategy

- 2.5 Etihad is a full service network carrier operating from a hub in Abu Dhabi, the capital of the United Arab Emirates.
- 2.6 Although not a member of any global alliance, Etihad has a strong portfolio of partnerships, bilateral relationships and affiliate relationships with other carriers including equity partnerships, codeshare arrangements and interline agreements.

PUBLIC REGISTER COPY

- 2.7 In 2010, Etihad entered into a commercial alliance with Virgin Blue Airlines under which those two carriers agreed to cooperate on pricing and scheduling of services across their respective networks. The ACCC granted authorisation in respect of that alliance in February 2011, noting that:

'Virgin Blue and Etihad currently do not directly compete on any routes, nor are they likely to directly compete in the future. In light of this, the ACCC considers that the Alliance is unlikely to result in any public detriment.'¹

- 2.8 In 2012, Etihad entered into a commercial alliance with Air Berlin to co-operate in respect of various routes, including between Australia and Germany, through joint pricing, joint route and schedule co-ordination and joint marketing, distribution and sales representation. The ACCC granted authorisation in respect of Etihad's commercial alliance with Air Berlin in July 2012 for a period of 10 years.² In its decision, the ACCC concluded that the Etihad Air Berlin Alliance was likely to result in:

2.8.1 public benefits in the form of enhanced products and services and the promotion of competition and that it may result in some stimulation of tourism; and

2.8.2 no public detriment.³

- 2.9 Through an airline alliance with Virgin Australia (as approved by the ACCC on 3 February 2011),⁴ Etihad and Virgin Australia offer a joint global network of more than 100 destinations. This includes 43 Virgin Australia destinations in Australia, New Zealand - co-operating on approximately 3,000 flights per week. Etihad also codeshares on Virgin Australia's three weekly flights on the Abu Dhabi - Sydney route.

- 2.10 For example, Etihad signed a codeshare agreement with Air New Zealand in February 2011. Etihad codeshares on all of Air New Zealand's trans-Tasman and a majority of the domestic services, and Air New Zealand codeshares on Etihad's services between Sydney, Brisbane, Melbourne and Abu Dhabi as well as between:

2.10.1 Abu Dhabi and London Heathrow;

2.10.2 Abu Dhabi and Manchester; and

2.10.3 Abu Dhabi and Dublin.

The codeshare integrates Air New Zealand Airpoints and Etihad's Etihad Guest loyalty programmes, enabling customers to earn and burn miles on each other's flights.

- 2.11 Etihad currently has over 47 codeshare arrangements and over 194 interline agreements.⁵

- 2.12 Etihad's current codeshare agreements are with Aegean Airlines, Aer Lingus, Air Astana, airBaltic, airberlin, Air Canada, Air Europe, Air France, Air Malta, Air New Zealand, AirSerbia, Air Seychelles, Alitalia, All Nippon Airways, American Airlines, Asiana

¹ Authorisation No A91247 & A91248 Virgin Blue Airlines and Others (3 February 2011) at page ii.

² Authorisation No A91307 and 91308, Etihad and Air Berlin (25 July 2012).

³ Authorisation No A91307 and 91308, Etihad and Air Berlin (25 July 2012) at [3.32] - [3.34].

⁴ Authorisation No. A91247 & 91248, Virgin Blue Airlines Pty Ltd and Others (3 February 2011).

⁵ <http://www.etihad.com/Documents/PDFs/Corporate%20profile/Fast%20facts/Q2-2014-en.pdf>

PUBLIC REGISTER COPY

Airlines, Bangkok Airways, Belavia, SN Brussels Airlines, China Eastern Airlines, Cyprus Airways, Czech Airlines, Darwin Airline, Flybe, Garuda Indonesia, Gol Linhas Aereas Inteligentes, Hainan Airlines, Jet Airways, JetBlue Airways, Kenya Airways, KLM Royal Dutch Airlines, Korean Air Lines, Malaysia Airlines, Middle East Airlines, NAS Air, Niki, Philippine Airlines, Royal Air Maroc, Saudi Arabian Airlines, Siberia Airlines, SNCF, South African Airways, SriLankan Airlines, TAP Portugal, Turkish Airlines, Vietnam Airlines and Virgin Australia.

- 2.13 Through strong relationships with both its codeshare and interline partners, Etihad is able to offer an enhanced and expanded network to its own customers. In return, partners can access the depth of Etihad's network.

3 THE SECOND APPLICANT - ALITALIA



Overview of operations

- 3.1 Alitalia is based in Italy and operates international air transport services for passenger and cargo from a hub at its home hub of Leonardo da Vinci airport in Rome Fiumicino. It is a member of the International Air Transport Association (IATA) and is one of the leading players in European air transport. Please refer to Annexure C for Alitalia's international passenger network as at 31 December 2013.
- 3.2 Alitalia operates two brands, Alitalia and Air One. Alitalia offers premium air transport services on international routes and Italian domestic routes. Air One offers quality low-cost services on international routes and Italian domestic routes.
- 3.3 During the 2014 summer, Alitalia operated more than 4,700 flights per week to 103 destinations, 26 in Italy and 77 in other countries throughout the world. Alitalia does not currently operate flights to or from Australia.
- 3.4 As at 21 July 2014, Alitalia operated a fleet of 132 aircraft. In 2013, it transported approximately 24 million passengers.

Alitalia's business model and strategy

- 3.5 Alitalia is distinguished by the quality of its service, passenger care, maintenance and the training of its personnel. In Europe, it is one of the most punctual airlines and has one of the most modern fleets, entirely renewed in the past four years through an ambitious investment plan. For over 50 years Alitalia has specialised in the training of flight crews, aircraft maintenance technicians and airport service professionals. Its training and courses are characterised by innovative teaching, qualified instructors and cutting-edge technologies that allow for a wide range of "tailored" training solutions. The programs of the courses comply with current regulations and are certified by the relevant authorities.
- 3.6 Alitalia is also a member of:
- 3.6.1 The Sky Team alliance which, as at 21 July 2014, included 20 airlines, being Aeroflot, Aerolíneas Argentinas, Aeromexico, Air Europa, Air France, China

PUBLIC REGISTER COPY

Airlines, China Eastern, China Southern, Czech Airlines, Delta Air Lines, Garuda Indonesia, Kenya Airways, KLM Royal Dutch Airlines, Korean Air, Middle East Airlines, Saudia, TAROM, Vietnam Airlines and Xiamen Airlines. As at 21 July 2014, the SkyTeam alliance offered its customers a network of 1,064 destinations in 178 countries with a fleet of more than 4,450 aircraft and more than 15,700 daily flights.

3.6.2 A transatlantic joint venture with Delta, Air France and KLM which applies to flights between Canada, United States, Mexico and Europe, between Amsterdam and India and between North America and Tahiti. This alliance is structured around 7 main hubs being Amsterdam, Atlanta, Detroit, Minneapolis, New York JFK, Paris Charles De Gaulle and Rome Fiumicino.

3.6.3 A joint venture with Air France KLM which offers advantages to customers flying between Italy, France and the Netherlands as well as on a number of intercontinental routes.

3.7 Alitalia has code share agreements with all sky team members and numerous other carriers including AirBaltic, Air Corsica, AirSerbia, Bulgaria Air, Carpatair, Cyprus Airways, Etihad, Luxair, Montenegro Airlines, SriLankan Airlines and TAP Portugal.

4 THE PARTNERSHIP

Proposed Partnership

4.1 The Applicants are seeking authorisation to establish an integrated network partnership pursuant to which the Applicants will be granted the authority to:

4.1.1 undertake the Pricing, Scheduling and Marketing Activities to give effect to the Partnership including in relation to services between points in Italy and points in Australia via Abu Dhabi; and

4.1.2 undertake the Co-operative Activities to give effect to the Partnership.

4.2 The Applicants have signed a transaction implementation agreement pursuant to which Etihad and the existing shareholders will invest €1,758 million to build a reinvigorated Alitalia. Etihad will take a 49% shareholding in Alitalia for an investment of €387.5 million. Alongside a significant cost restructuring the reinvigorated Alitalia will be able to invest in a comprehensive strategic business plan with a greater focus on long haul flights as a result of the proposed commercial cooperation with Etihad. Completion of the equity investment is subject to completion by Alitalia and its key private and public stakeholders of certain conditions precedent and is also subject to final regulatory approvals.

4.3 The Partnership will lead to substantial public benefits and no material detriment. The Partnership is an integral part of the Etihad investment into Alitalia whereby Etihad is acquiring joint control for the purposes of the EU Merger Regulation (but not under the applicable aviation regulatory rules (1008/2009)).

PUBLIC REGISTER COPY

Agreements

- 4.4 Subject to applicable laws and regulatory approvals in Australia, on 8 August 2014, Etihad and Alitalia entered into the Co-operation Agreement. That Co-operation Agreement is subject to relevant clearances being obtained under applicable laws.
- 4.5 A copy of the executed Co-operation Agreement is included in Confidential Annexure A.

Scope of the Partnership

- 4.6 In accordance with the Co-operation Agreement, the Applicants propose to implement the:
- 4.6.1 Pricing, Scheduling and Marketing Activities; and
- 4.6.2 Co-operative Activities.

New Alitalia services to Abu Dhabi

- 4.7 As a result of the Partnership, the Applicants intend to increase the number of services between Italy and Abu Dhabi by introducing new flights between their respective hubs and further increasing capacity in the form of upgrading of aircraft. In addition, the Applicants intend to improve the scheduling of Alitalia flights. This will support the development of traffic to and from Australia, feeding into Etihad's Abu Dhabi hub, and providing consumers with the benefits outlined below.

Co-operation on services to Australia

- 4.8 In order to provide air transport services on the Italy to Australia route without a partner, Alitalia would have to operate its own aircraft on a sector between Australia and an international intermediary hub airport such as Abu Dhabi. This would require a substantial investment in new aircraft. For example, a daily service from Rome to Sydney would require three dedicated aircraft via a non-circuitous routing, such as Rome – Abu Dhabi – Sydney. Because of the aircraft investment required and the relatively small size of the Rome to Australia markets (compared with the markets that currently support one stop flights between Europe and Australia via intermediary hub airports), such a service to Australia in the absence of a partnership would not be financially viable for Alitalia.
- 4.9 For this reason, it is not financially viable for Alitalia to commence operating its own flights to Australia. In consequence, in order that Alitalia can serve the market for routes to Australia, it makes commercial sense for Alitalia to co-ordinate with Etihad in order that customers can fly from Italy to Abu Dhabi on either an Alitalia or Etihad operated flight and then connect with a flight from Abu Dhabi to Australia operated by Etihad.

Commercial Parameters

- 4.10 There are a very large number of carriers that offer services between Australia and Italy. For example:
- 4.10.1 Singapore Airlines offers a service from Rome to Melbourne with a stopover in Singapore. Both of those sectors are operated by Singapore Airlines.
- 4.10.2 Qatar Airways offers a service from Rome to Melbourne with a stopover in Doha. Both of those sectors are operated by Qatar Airways.

PUBLIC REGISTER COPY

- 4.10.3 Qantas offers a service from Rome to Melbourne with a stopover in Dubai or London. The service via London involves sectors operated by British Airways and Qantas. The service via Dubai involves sectors operated by Emirates and Qantas.
- 4.11 There are many other options including flying via Bangkok, Hong Kong, Colombo, Mumbai, Kuala Lumpur to name a few.
- 4.12 The ability to engage in joint scheduling would facilitate Etihad and Alitalia ensuring seamless connections, reduced layover times and the joint selling and marketing of a single ticket for passengers travelling between Australia and Italy.
- 4.13 The ability to offer seamless connections and reduced layover times constitutes an improved level of service. In particular, reduced layover times increases the efficiency of travel between Italy and Australia, and decreases the total travel time of passengers travelling on the route.
- 4.14 Providing a well timed, efficient, coordinated schedule with minimal layover times has historically resulted in increased traffic in the vast majority of markets. In consequence, this may have the effect of stimulating tourism in both Australia and Italy.

Etihad's commercial rationale

- 4.15 Etihad's strategy is to continue to build strong bilateral partnerships with other airlines whilst making targeted acquisitions/investments, in order to build an international route network providing greater connectivity to passengers whilst improving the operating efficiency of the aircraft of the equity partners operating the route network. Etihad and its equity partners face significant competition from larger airline alliances and independent carriers.
- 4.16 Etihad has adopted a network strategy to expand its reach and provide customers with access to more services and destinations through codeshare partnerships.
- 4.17 For Etihad, the Partnership will enhance its position and brand in Australia, particularly the large Italian Diaspora and with the corporate sector having commercial business with Italian companies.
- 4.18 Etihad's core rationale for entering the Partnership is:
- 4.18.1 to expand its successful network of services globally and to improve its presence and brand recognition;
 - 4.18.2 to improve its offering to corporate travellers by increasing connection possibilities and frequencies on international destinations;
 - 4.18.3 to offer reciprocal lounge and frequent flyer benefits to Alitalia passengers;
 - 4.18.4 to increase traffic volumes on Etihad's global network as a result of feed from and to Alitalia's network;
 - 4.18.5 to build on Alitalia's existing network in Europe, particularly in Italy; and
 - 4.18.6 to offer a more competitive product in order to compete more effectively with competitors, including with respect to Australia, Emirates and Qatar Airways.

PUBLIC REGISTER COPY

- 4.19 The Partnership is likely to enhance Etihad's revenues and reduce costs by integrating networks and improving synergies.

Alitalia's commercial rationale

- 4.20 Alitalia is not currently able to offer competitive services on routes between Italy and Australia without entering into partnership with another airline or investing in a large number of new aircraft capable of making one-stop super-long-haul flights between Italy and Australia and negotiating international stop-over rights with an intermediary airport.
- 4.21 The Partnership will enable Alitalia to offer services on routes between Australia and Europe on a codeshare basis with Etihad. Through Alitalia's network touch point in Abu Dhabi, it would be able to offer competitive flight connections between Europe and Australia on aircraft operated by Etihad and Alitalia.
- 4.22 Alitalia's commercial rationale for entering the Partnership is:
- 4.22.1 to expand its successful network of services globally and to improve its presence and brand recognition in Asia and Australia;
 - 4.22.2 to offer reciprocal lounge and frequent flyer benefits to Etihad passengers;
 - 4.22.3 to increase traffic volumes on Alitalia's global network as a result of feed from and to Etihad's network;
 - 4.22.4 to take advantage of Etihad's existing network and sales and distribution in the UAE, Asia and Australia; and
 - 4.22.5 to offer a more competitive product in order to compete more effectively with other global network carriers.

- 4.23 The Partnership is likely to enhance Alitalia's revenues and reduce costs by providing greater connectivity between the networks and improving synergies.

Applicants are a good strategic fit

- 4.24 Importantly both airlines are a good strategic fit for each other and the Partnership facilitates competition for the following reasons:
- 4.24.1 prior to the Partnership there was minimal competitive overlap between Etihad's and Alitalia's operations;
 - 4.24.2 each airline intends to challenge the significant market shares of its main competitors on the routes through quality service, product and innovation which will benefit the travelling public; and
 - 4.24.3 each airline fills an important strategic need of the other and consequently each is committed to a deep and lasting partnership.

Why a Partnership is necessary to achieve the commercial objectives

- 4.25 Only by entering into the Partnership can Etihad and Alitalia achieve their pro-competitive commercial objectives.

PUBLIC REGISTER COPY

4.26 Most relevantly, Alitalia's ability to provide competitive services on routes between Australia and Europe and the increased competition is furthered through the support of Etihad under the Partnership.

4.27 A partnership relationship is essential to enable both carriers to align their schedules and frequencies to attract the required customer segments in the right markets. The Partnership enables both carriers to benefit from each other's strong brands in their home markets - providing confidence for their customers to utilise these services.

Authorisation sought

4.28 Etihad and Alitalia seek authorisation to give effect to the Commercial Co-operation Agreement.

4.29 The Applicants submit that the ACCC should authorise the Partnership for the duration of the Partnership or, alternatively, for a period of no less than 10 years.

Interim authorisation is necessary and procompetitive

4.30 The Applicants are seeking interim authorisation to give effect to the Partnership pending the outcome of the ACCC's final decision on authorisation.

4.31 The Partnership will result in no detriment, as it does not materially diminish competition. Alitalia does not currently operate flights to or from Australia and without authorisation, Alitalia is unlikely to be able to compete without the assistance of a partner carrier such as Etihad. As the Partnership will immediately generate significant public benefits, interim authorisation should be granted.

4.32 The ACCC's Guide to Authorisation states that it will grant interim authorisation only in special circumstances where there is some sort of urgency.

4.33 In assessing an application for interim authorisation, the ACCC considers:

4.33.1 the degree to which the arrangements appear to be anti-competitive;

4.33.2 the level of urgency of the request;

4.33.3 the impact (if any) on the relevant markets;

4.33.4 the possible harm to the applicant if the request for interim authorisation is denied;

4.33.5 the possible harm to other applicants (such as customers or competitors) if the request for interim authorisation is granted or denied; and

4.33.6 any other possible benefits or detriments to the public.

4.34 Given the lack of or potential for competitive overlap between Etihad and Alitalia on sectors to or from Australia, there would be no lessening of competition as a result of implementation of the Partnership.

4.35 In contrast, the Applicants would suffer detriment if interim authorisation was not granted. In particular, the Applicants intend to implement the Co-operation Agreement upon receiving all necessary clearances under applicable laws. As such, any delay in

PUBLIC REGISTER COPY

receipt of approval from a regulator may delay the Applicants from achieving the benefits, including public benefits that will arise from the Partnership.

- 4.36 For commercial reasons, it is imperative that Etihad and Alitalia are able to engage in the Pricing, Scheduling and Marketing Activities and Co-ordination Activities as soon as possible. Scheduling and marketing typically occurs in large blocks (for example, for an entire summer or winter season) and the absence of interim authorisation may prevent the benefits from the Partnership from accruing for an entire season. As such, interim authorisation would allow those benefits to accrue in respect of routes including routes to Australia. The inability to take advantage of these benefits would be commercially costly for both carriers and for the travelling public.
- 4.37 The ACCC is familiar with this industry and has granted final authorisation for similar relationships in the past, including the alliance between Etihad and AirBerlin⁶ which involved relatively similar issues. Given this, the ACCC ought to readily be able to assess whether it considers there are likely to be any detriments arising from the proposed Partnership.
- 4.38 The Partnership will result in considerable public benefits in terms of connecting services between points in Italy and points in Australia. These benefits will begin to accrue immediately upon the Applicants commencing the Pricing, Scheduling and Marketing Activities and Co-ordination Activities.
- 4.39 A decision by the ACCC to grant interim authorisation will not prejudice the final authorisation. In order to grant interim authorisation, it is not necessary for the ACCC to decide whether the Partnership satisfies the authorisation test.
- 4.40 The Applicants consider that there are clear benefits and no detriments associated with this Partnership. Interim authorisation would not have a significant impact on or permanently alter the market structure or dynamics. There would, therefore, be no long-term adverse implications of such a decision.

5 FRAMEWORK FOR ANALYSIS OF COMPETITIVE EFFECTS AND PUBLIC BENEFITS ARISING FROM THE PARTNERSHIP

Relevant markets

- 5.1 The practical starting point for considering market definition in an authorisation context is to examine the services that will be provided by the Applicants.
- 5.2 As noted above, the Partnership provides a platform for Alitalia to supply international air transport services between points in Italy and points in Australia through Abu Dhabi. The Partnership also enhances Etihad's presence in the supply of international air transport services between points in the Middle East/Asia - Italy/Europe and facilitates the supply of international air transport services between points in those countries and beyond (both domestically and internationally).

⁶ Authorisation No A91307 and 91308, Etihad and Air Berlin (25 July 2012).

PUBLIC REGISTER COPY

- 5.3 The market(s) for air transport services between points in Australia and points in Italy are characterised by strong competition between a large number of competitors based in Australia, the Middle East, Asia and Italy.
- 5.4 The Applicants therefore submit that the public benefits and competitive effects arising from the Partnership be considered within the supply of international air transport services between Australia and Italy.

International air passenger transport services

- 5.5 For the purposes of the analysis of the Partnership, whether the product markets are defined narrowly (business passengers separate from leisure passengers) or more broadly (both types of passengers considered together) does not alter the competitive assessment. Furthermore, cargo services are even more competitive than passenger services such that the assessment as to whether there exist any anti-competitive detriments does not need extend beyond passenger services.

Counterfactual

- 5.6 In weighing the public benefits and detriments, the ACCC must apply the 'future with and without' test. The ACCC must compare the likely future if authorisation were granted (the factual) with the likely future if the authorisation were not granted (the counterfactual).
- 5.7 The most likely counterfactual is that, without authorisation, the Applicants would not proceed with the Partnership.
- 5.8 Absent the Partnership, Alitalia would not be in a position to compete effectively in the markets for international air transport services between points in Italy and points in Australia.
- 5.9 For the reasons set out in paragraphs 4.8 to 4.9, absent the Partnership, Alitalia would not become an independent operator on these routes.

6 COMPETITIVE EFFECTS

No competitive detriment

- 6.1 Alitalia did not operate air services on routes between Italy and Australia and had no plans to start such operations prior to entering into the Co-operation Agreement with Etihad.
- 6.2 Absent the Partnership, Alitalia would not be able to effectively compete in the market(s) for the provision of services on the routes between Italy and Australia.
- 6.3 The Partnership will not give rise to any lessening of competition in the Middle East-Australia, Australia-Italy or the Australian domestic markets, or in any other relevant market(s).

The Partnership will enhance competition in the Australia-Italy market

- 6.4 The Partnership will enhance competition in the Australia-Italy market(s) and provide a platform for Alitalia to grow its international network, enabling a virtual international network.
- 6.5 This will allow Alitalia to solidify its position as an international network carrier.

7 PUBLIC BENEFITS

What are public benefits and how should they be assessed?

- 7.1 The *Competition and Consumer Act 2010* (Cth) does not define 'public benefit' but the Tribunal has defined it as 'anything of value to the community generally, any contribution to the aims pursued by the society including as one of its principal elements (in the context of trade practices legislation) the achievement of the economic goals of efficiency and progress'.⁷
- 7.2 The direct beneficiaries of the Partnership will include existing and potential passengers on international services to and from Australia, and the Australian tourism industry, as well as the Applicants themselves. More broadly, the competition and efficiency enhancing effects of the Partnership are of value to the community generally.

Overview of public benefits under the Partnership

- 7.3 The Partnership will result in significant public benefits, namely:
- 7.3.1 enhanced products and services with the creation of new online itinerary options that provide convenient options for passengers travelling between Italy and Australia.
 - 7.3.2 Alitalia intends to offer new services and routes including new services between Abu Dhabi and smaller Italian cities such as Venice, Catania and Bologna from Summer 2015. Those flights will connect in Abu Dhabi with flights operated by Etihad.
 - 7.3.3 stimulation of tourism to Australia.

New and enhanced products and services

- 7.4 The Partnership will immediately increase the choice of journey options for passengers. Passengers will have access to better connections and a broader schedule on either the Alitalia or Etihad code.
- 7.5 For Australian consumers, this will create additional choices for online travel from Australia to Italy.
- 7.6 The opportunities for online connection are a significant public benefit that is valued by consumers. Both business and leisure customers value online services for the following reasons:
- 7.6.1 increased convenience;
 - 7.6.2 the increased likelihood of making the connecting flight in the event of a delay on a journey sector;
 - 7.6.3 the increased ability to purchase flexible fares;
 - 7.6.4 reduced likelihood of luggage being lost; and

⁷ *Victorian Newsagency* (1994) ATPR 41–357 at 42,677.

PUBLIC REGISTER COPY

- 7.6.5 the ability to fly on one's preferred air service brand and to accrue points and status credits.

Unlike separate 'mix and match' fares, online flights that are part of a favourable codeshare service, such as those that will be available under the Partnership, are not subject to double marginalisation.

- 7.7 Under the Partnership, passengers will also benefit from reciprocal frequent flyer and status credits programmes and reciprocal lounge access across the networks.
- 7.8 Consumer surveys consistently show that airline satisfaction for consumers is highly tied to the additional services offered by airlines. These other value-added factors have been shown to have a significant impact on consumer satisfaction and preferences when choosing which airline to fly with. Improvements in overall service quality are therefore a clear public benefit that will be valued by consumers.
- 7.9 The ability for Alitalia to grow its international network will enable it to more fully compete against such carriers and improve competition. As discussed, currently Alitalia has limited availability to compete with other airlines in terms of international travel and business/corporate travel for Australian consumers. This Partnership will greatly improve Alitalia's ability to compete in both of these market segments.
- 7.10 This will have clear commercial benefit for Alitalia. However, there is also a clear public benefit. Australian consumers will benefit from improved competition between, and among, carriers and Alitalia across their networks. The ability for Alitalia to offer a comprehensive and viable network in stronger competition with, inter alia, Star Alliance carriers and Etihad will increase consumer choice and stimulate further competition in the international passenger air services markets.

Stimulation of tourism to Australia

- 7.11 All of the benefits described above will result in market stimulation.
- 7.12 Further, the Partnership will enable both Alitalia and Etihad to leverage the distribution and marketing strength of each carrier, and their brand strengths, to promote these new and improved services.
- 7.13 Increased passenger numbers on these services will have a direct benefit for tourism to Australia. Increases in tourism are clear public benefits. The ACCC has previously acknowledged that 'there is a public benefit in increased tourism resulting from increased capacity and lower fares'⁸ within aviation markets. Similarly, the Tribunal has previously found that 'increased tourism has a benefit for the general community as a result of the funds that will be injected into the community from increased travel'.⁹
- 7.14 The Partnership will provide international passengers throughout Alitalia's and Etihad's extensive international network with access to online flights from their home markets to Australia while earning frequent flyer points and status points on Alitalia's or Etihad's frequent flyer programme.

⁸ Authorisation Determination No. Authorisations A91151, A91152, A91172 and A91173, Virgin Blue Airlines and Others (10 December 2009) at [4.137].

PUBLIC REGISTER COPY

- 7.15 This will enable itinerary options to destinations within Australia previously unavailable without the inconvenience and costs associated with switching airlines. Under the Partnership, Etihad will use its global marketing and distribution strength to promote these services and the Australian destinations that can be accessed through them. This will improve the ease and attractiveness of travel to destinations in Australia beyond the major international gateways. This will have a direct and beneficial impact on regional tourism in Australia.
- 7.16 The combination of the creation of a new service and intensive marketing of the destination can actually generate tourism from a source population to a particular destination. This would particularly benefit regional economies around destinations served under the Partnership, such as the Gold Coast in relation to flights from Italy to Brisbane.
- 7.17 The strong link between the development and growth of tourism destinations and aviation services has been shown in a number of case studies. In fact, it has been noted that the addition of a single international flight can have a discernable impact on tourism numbers and employment.
- 7.18 The role that strong partnerships play in drawing more tourism traffic feed from around the world has been noted in the academic literature.
- 7.19 Tourism Australia estimates that by 2020, the income from tourists from all destinations globally will be between \$115 billion and \$140 billion in overnight expenditure. Tourism Australia has observed that arrivals to Australia from Italy grew by almost 10% in the 12 months to December 2013.¹⁰

8 CONCLUSION

- 8.1 For the reasons set out in this Submission, Etihad submits that:
- 8.1.1 Etihad and Alitalia are not in any real sense competitors and there will be no loss of potential competition in the market for international air passenger services as a result of the Partnership or the Partnership Activities;
- 8.1.2 the Partnership and the Partnership Activities will promote competition in the relevant markets for international air passenger transport services;
- 8.1.3 the Partnership will result in significant and substantiated public benefits in the form of enhanced products and the promotion of competition for international air travel to and from points in Italy to points in Australia and increased tourism in Australia; and
- 8.1.4 on this basis, the ACCC should grant the Application for interim and final Authorisation.

⁹ ACCC, Determination: Virgin Blue and Delta Airlines Authorisation Application A91151, A91152 and A91153 (10 December 2009) at [4.137].

¹⁰ Tourism Australia Quarterly Market Update, March 2014, page 8.

PUBLIC REGISTER COPY

- 8.2 Further, the ACCC should grant the interim authorisation as soon as possible. It is imperative that Etihad and Alitalia are able to engage in the Partnership Activities, and marketing of air passenger services, including for services between points in Italy and points in Australia, as soon as possible. As the Partnership results in no detriments and will lead to immediate substantial benefits, interim authorisation should be granted to the Partnership Activities in order to allow the public benefits to accrue without delay.

PUBLIC REGISTER COPY

CONFIDENTIAL ANNEXURE A - WHOLE DOCUMENT REMOVED

AZ & MONDO AEREI E DESTINAZIONI DI VIAGGIO
FLEET AND TRAVEL DESTINATIONS

● Destinazioni servite da
Destinations served by **Alitalia**

● Destinazione servita da Venezia da **Air One**
Destinations from Venice served by **My number one**

During the winter season, Rome-Los Angeles and Rome-Chicago connections are served by Alitalia in partnership with Air France-KLM-Delta. Direct services on Alitalia will recommence with the new summer season 2014.



- Aeroflot, Aeromexico, Air France, China Airlines, China Eastern Airlines, China Southern Airlines, Delta Air Lines, Etihad Airways, GOL, Kenya Airways, KLM, Korean Air, Kuwait Airways, Middle East Airlines, Saudia, SriLankan Airlines, Vietnam Airlines

