

Partner Luke Woodward
Contact Harsimran Kaur
T +61 2 9263 4674
hkaur@gtlaw.com.au
Our ref LXW:HXK:1029367



L 35, Tower Two, International Towers Sydney
200 Barangaroo Avenue,
Barangaroo NSW 2000 AUS
T +61 2 9263 4000 F +61 2 9263 4111
www.gtlaw.com.au

10 March 2017

By email

Gavin Jones
Director, Adjudication
Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

Email: gavin.jones@acc.gov.au

Copy to: Theo Kelly, theo.kelly@acc.gov.au

Dear Mr Jones

Virgin Australia Regional Airlines Pty Ltd & Ords – applications for authorisation A91552 & A91553 – response to Newmont’s submission dated 24 January 2017

As the ACCC is aware, we act for Virgin Australia Airlines Pty Ltd (ACN 090 670 965), Virgin Australia Regional Airlines Pty Ltd (ACN 008 997 662) and Alliance Aviation Services Limited (ACN 153 361 525) in relation to the proposed Charter Alliance (the **Applicants**).

We refer to the submission made by Newmont Asia Pacific (**Newmont**) on 25 January 2017 regarding the proposed Charter Alliance. This letter comprises the Applicants’ response to the matters raised in the Newmont submission.

This letter (with confidential information redacted) may be placed on the Public Register.

1 Newmont’s FIFO requirements

As outlined in Newmont’s submission, Newmont requires FIFO charter services to transport approximately 580 FIFO workers to a mine site in Tanami desert in the Northern Territory (the **Granites**) from Perth, Darwin, Brisbane and Alice Springs. These charter services are currently provided by Alliance. In addition, Newmont engages RPT operators such as Virgin for connecting flights from Perth, Melbourne, Brisbane and Adelaide.

The Applicants understand that Newmont's air services requirements have changed over time as follows:

- prior to 2006, Newmont required air services between Perth and the Granites. At this time, Cobham provided charter services to Newmont between Perth and the Granites using a 36 seat Dash 8. This aircraft could not operate direct flights. Cobham therefore offered Newmont charter services that were operated via Kalgoorlie.
- in 2006, **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]** In addition to these services:
 - Goldfields Air Services provided services that operated between Kalgoorlie and the Granites using two smaller aircraft; and
 - Cobham and Pearl Aviation provided services that operated between Darwin and the Granites using small aircraft.
- In or around 2011-2012, Newmont sealed the runway at the Granites (which allowed its requirements to be serviced with jet aircraft) and went to tender for their FIFO requirements. The contract required FIFO services operated from Perth, Darwin and Brisbane via Alice Springs to the Granites.
- Alliance was the successful tenderer for this contract. **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]**
- **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]**
- Since 2012, **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]**

2 Newmont stands to gain substantial benefits from the proposed Charter Alliance

Newmont has raised concerns that the proposed Charter Alliance will limit competition and expose their business to higher and less competitive charter costs. The Applicants understand Newmont's commercial imperative to keep costs competitive, however the proposed Charter Alliance should not raise any competition concerns with respect to Newmont **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]**

[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]

Not only that, the Applicants consider that Newmont is actually an example of a FIFO customer that would substantially benefit from the proposed Charter Alliance:

- **Integration of charter and RPT offering:** Newmont currently relies on charter services provided by Alliance and RPT service operated by other providers, including Virgin. Newmont therefore stands to gain from the synergies and operations efficiencies that will result from a more extensive and integrated charter and RPT offering. This includes improved connectivity in Perth, Darwin, Brisbane and Alice Springs through better coordination of minimum connecting time
- **More competitive FIFO offering:** VARA does not have the capabilities to service Newmont's current FIFO requirements. As outlined above, Newmont demands a national footprint as it requires FIFO operators to provide services to the Granites from Perth, Darwin, Brisbane and

Alice Springs. VARA's only operational base is located in Perth. As such, there is no reduction in the number of operators capable of servicing Newmont's FIFO requirements and therefore Newmont only stands to gain the benefits of any operational efficiencies achieved under the Charter Alliance.

[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]

Conclusion – the Charter Alliance results in a net benefit to Newmont and other FIFO customers. If the Charter Alliance is authorised, this will allow Alliance and VARA to offer a more compelling and cost effective product to FIFO customers such as Newmont. **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]** the proposed Charter Alliance **[CONFIDENTIAL – RESTRICTION OF PUBLICATION CLAIMED]** will instead result in operational efficiencies that will strengthen the capabilities of both Alliance and VARA to support Newmont's FIFO needs.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'L. Woodward'.

Luke Woodward
Partner
T +61 2 9263 4014
lwoodward@gtlaw.com.au