

Matter name:	Virgin Australia & Alliance Airlines – Application for authorisation
Date and Time:	2:00pm-2:25pm AEDT Friday 25 November
External attendees:	Jo Murphy (Procurement Manager, Sandfire Resources), Anna Watts (Senior Legal Counsel, Sandfire Resources)
ACCC participants	Lilly Walsh, Anna Pound, Andrew Ng, Sidd Sharma, Elizabeth Elias, Genevieve Harris, Laura Wotherspoon

Information provided by Sandfire Resources in relation to the application for authorisation is summarised below:

Aviation needs

- Sandfire has a single operational mine approximately 950km north of Perth. Network Aviation currently holds the contract to provide charter services to this mine site.
- Sandfire does not have Regular Passenger Transport (RPT) requirements in WA, but some on the East Coast where it has some exploration opportunities.

2016-17 tender process

- Sandfire issued a request for tender to Network Aviation and Alliance. It received a bid from Network Aviation. It did not receive a bid from Alliance; they withdrew their bid and informed Sandfire that they would tender on a subcontracting arrangement.
- Sandfire shortlisted Network Aviation as they performed well on price. Sandfire decided to award the contract to Network Aviation.

2019-20 tender process

- Sandfire issued a request for tender to Network Aviation, Alliance, and Virgin. Virgin declined to participate but did not provide a reason.
- Sandfire shortlisted Network Aviation and Alliance. It decided to award the contract to Network Aviation, as the incumbent supplier, because they were more competitive in terms of price, and they performed well for Sandfire on the previous contract.

Factors that Sandfire considers when awarding a contract

- The safety record of the airline, price of the service and On Time Performance are all factors that are weighted heavily by Sandfire when conducting a tender process.
- Sandfire does not consider the availability of an integrated charter and RPT offering under the Charter Alliance as a benefit when conducting its tenders because the majority of its flight needs are WA based. It does not have needs to connect its charter flights to RPT flights.
- Sandfire occasionally charters extra flights to its WA mine site, so the availability of additional ad-hoc flights would be a benefit to Sandfire.
- Flights during peak charter flight times are very important to Sandfire as it enables its employees to travel from the airport to the mine site in the morning and start work earlier in the day; this allows it to get a full day's work out of its employees.

Other comments

- There are not many airlines in the charter market with sufficient scale and fleet availability to meet Sandfire's operational requirements. Therefore, it considers that the loss of a potential bidder (in VARA or Alliance) as a result of the Charter Alliance Agreement will result in less competitive outcomes and a less competitive FIFO market. Sandfire has only been receiving bids from 4-5 airlines each tender process.

- Sandfire considers that Network Aviation are the Charter Alliance's closest competitors for its tender processes.
- Sandfire considers there may be high barriers to entry and expansion into the WA FIFO market because a prospective operator would be required to establish an operational base in WA to provide charter services in this State. The relevant experience of the bidding airline in providing charter services in WA is also a factor that Sandfire considers when awarding a contract – which is a factor that newer entrants may not be able to overcome.