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18 May 2022

Dear interested party

### **Request for submissions: Qantas' proposed acquisition of Alliance Airlines**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on Qantas Airways Ltd's (**Qantas**) proposed acquisition of the remaining shares in Alliance Aviation Services Ltd (**Alliance Airlines**) that it does not already own (the **proposed acquisition**).

Alliance Airlines predominantly provides charter services to corporate customers. It also leases aircraft to airline clients and supplies other associated aviation services including spare parts, aircraft maintenance and engineering services.

The Qantas Group also operates charter services in addition to its domestic and international regular passenger transport (**RPT**) services. Further details regarding the proposed acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- how closely Qantas and Alliance Airlines compete in the supply of charter and/or RPT services
- whether there are sufficient alternative suppliers to maintain competition
- the impact of the proposed acquisition on price, quality or service levels for charter and/or RPT services, and
- the impact if Alliance were to cease providing aircraft leasing or associated aviation services to other airlines after the proposed acquisition.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 3 June 2022**. Responses may be emailed to [mergers@accc.gov.au](mailto:mergers@accc.gov.au) with the title: *Submission re: Qantas Alliance - attention Elizabeth Elias / Sidd Sharma*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Elizabeth on 02 6243 1104 or Sidd on 02 9102 4011.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

#### ***Confidentiality of submissions***

The ACCC will not publish submissions regarding the acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Daniel McCracken-Hewson  
General Manager  
Merger Investigations

## **Attachment A**

### **Qantas**

Qantas is an Australian based airline which operates both domestic and international flights. Qantas provides RPT services across all Australian states and territories, as well as charter services in Western Australia and Queensland.

Qantas Airways Ltd is listed on the Australian Securities Exchange (ASX:QAN). Its subsidiaries include: Jetstar (which operates domestic and international flights), QantasLink (a regional airline), and Network Aviation (a charter services and regional airline based in WA).

### **Alliance Airlines**

Alliance Airlines is an aviation services company specialising in the provision of charter services to corporate customers. It also leases aircraft to other airlines, and supplies other associated aviation services including the sale and leasing of spare parts and replacement engines, plus inhouse maintenance and engineering services.

As part of its charter services, Alliance Airlines also incidentally supplies a limited number of seats to the public on five of its charter routes: Adelaide-Olympic Dam, Perth-Kalgoorlie, Brisbane-Weipa, Cairns-Weipa and Cairns-Groote Eylandt. Alliance Airlines also operates one RPT route: Brisbane-Moranbah.

Alliance Airlines has bases in Brisbane, Townsville, Cairns, Adelaide, Perth, Melbourne and Darwin, and is currently constructing a Rockhampton base.

Alliance Aviation Services Ltd, which owns Alliance Airlines, is listed on the Australian Securities Exchange (ASX:AQZ).

### **The proposed acquisition**

On 1 February 2019 Qantas announced it had acquired a 19.9 per cent holding in Alliance Aviation Services Ltd, for about \$60 million. At this time, Qantas had indicated that it wished to build on its 19.9 per cent minority shareholding to ultimately own 100 per cent of Alliance.

On 5 May 2022, Qantas announced that it had reached an agreement to acquire the remaining shares in Alliance Aviation Services Ltd that it does not already own.

## **Attachment B**

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the acquisition, including any commercial relationship/s with either of Qantas or Alliance Airlines.

### **Charter services**

3. For customers:
  - a. Please outline your organisation's charter service requirements, and how you procure these services, including any mid-contract price review processes.
  - b. Does your business have any particular requirements that impact the charter service providers that you would consider using?
  - c. Are RPT routes a substitute to using charter services for your business? Why/why not.
4. How closely do Qantas and Alliance Airlines compete to provide charter services? What factors are most relevant to the closeness of competition, such as price, capacity, route networks, aircraft quality, service quality, safety and reputation?
5. Please identify the competitors for charter services, and how they compare to Qantas and Alliance with reference to the factors identified in question 3.
6. For competitors:
  - a. Please explain whether you are able to expand the number of charter services and the routes that you currently operate. Why/why not?
  - b. Would a charter airline based predominantly in one state (e.g. WA), find it easy to commence supplying charter services in another state (e.g. Queensland)? Why / why not?
7. To what extent can customers sponsor the entry or expansion of new or smaller competing charter service providers?

### **Regular passenger transport**

8. Do you consider Alliance Airlines an important competitor in the provision of RPT services on the routes that it offers? Why/why not?
9. Please identify current and prospective future competitors to Qantas and Alliance in the supply of RPT services in Australia.
10. Do you consider that Alliance Airlines could expand its RPT routes in the future? Why / why not?

### **Leasing**

11. Do you consider that Alliance Airlines is an important supplier of (wet and dry) leased aircraft to other airline companies?
12. Please identify any other airline companies offering aircraft leasing services in Australia, and how they compare to Alliance Airlines.

13. What would be the impact on your business if Alliance Airlines ceased offering aircraft leasing services?

**Other associated aviation services**

14. Do you consider that Alliance Airlines is an important supplier of spare parts and/or maintenance and engineering services?
15. Please identify any other companies that offer these services, and how they compare to Alliance Airlines.
16. What would be the impact on your business if Alliance Airlines ceased offering these associated aviation services?

**Other information or competition issues**

17. Do you have any concerns with the proposed acquisition? Why/why not.
18. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the acquisition under section 50 of the Act.