

15 April 2020

Daniel McCracken-Hewson
General Manager, Adjudication
Australian Competition and Consumer Commission

Email: adjudication@accc.gov.au

Dear Mr McCracken-Hewson

VIRGIN AUSTRALIA - APPLICATION FOR URGENT INTERIM AUTHORISATION DATED 9 APRIL 2020

We understand that you will shortly be in receipt of a submission from the Australian Airports Association (**AAA Submission**) concerning the application by Virgin Australia (**Virgin**) for urgent interim authorisation to engage in coordinated conduct with other airlines (**Application**).

Summary

Hobart Airport writes in support of the AAA Submission, and confirms the following:

Hobart does not oppose the Application in respect of Virgin's proposed conduct with other airlines in relation to:

- agreeing the routes, scheduling and/or capacity of RPT services;
- jointly determining which carrier is best to operate a particular route or service;
- discussing a split or share of revenue generated by services (but with no contract, arrangement or understanding as to pricing); and
- making arrangements concerning the allocation of cargo space.

However, Hobart Airport strongly opposes Virgin's proposed conduct with other airlines in relation to joint negotiations (including collective bargaining) with airports in relation to infrastructure use and fee relief. Hobart Airport's reasons for this are addressed in more detail below.

Collective Bargaining

The majority of Hobart Airport's income from Virgin is derived from passenger movements. Virgin has effectively cut off that income flow by terminating its Hobart flight schedule. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



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If granted, the effect of the collective bargaining authorisation will be a further reduction of what little income is derived from the airlines in the current climate, with an immaterial benefit to the airlines.

On a related point, the Application implies that the airports are merely suppliers to the airlines and do not experience direct losses due to the drop in passenger demand. Hobart Airport does not accept this characterisation. We are directly experiencing a catastrophic loss of revenue.


As a matter of proportion, the outcome of the grant of a collective bargaining authorisation would be of little benefit to Virgin but would likely have a significantly adverse effect upon us.

Qantas has written to Hobart Airport advising us, in effect, that it will not pay us any amounts owed until the crisis is over and requesting complete abatement of all rental income from 1 February 2020 until the COVID-19 crisis is over. Whilst Hobart Airport will reserve its rights in relation to that conduct, we remain very concerned over the implications, because Qantas is the likely commercial partner to Virgin in any collective bargaining context. If those parties are to negotiate with us collectively, there is a very real possibility that we will have no income whatsoever from any airline during the crisis, which will leave us in an unsustainable position, significantly impacting our liquidity position and our ability to meet debt obligations. We cannot comprehend that Australia's competition law regime would permit such an outcome to occur.

Our business relies heavily on the competitive distance between the airlines in that we can negotiate with the airlines separately and keep such discussions confidential from the other airline participant. If the airlines are to negotiate with us jointly, we have a strong concern that key confidential information from each negotiation will be disclosed. This will heavily disadvantage us when the crisis is over because each airline will have an awareness of the concessions and commercial advantages granted by us to the other, permitting them to negotiate far more aggressively with us than was previously possible.

We therefore respectfully request that the Commission declines to authorise the collective bargaining conduct with airports.

Yours sincerely,

A grey rectangular box redacting the signature of Matt Cocker.

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