

12 November 2020

Mr Andrew Mahony
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

By email: exemptions@accc.gov.au

Re: AA1000533 – Virgin Australia and Alliance Airlines - submission

Dear Mr Mahony

The Northern Territory Government (NTG) notes ACCC's invitation of 27 October 2020 to make a submission on the application for authorisation pertaining to this subject.

NT's vast and expansive geography mean that its residents are highly reliant on aviation access, which is of particular importance to regional communities. This infrastructure is essential to meet healthcare, education, social welfare and economic development requirements. As such, NTG takes an active role in ensuring the sufficient availability and affordability of air services.

Background

Virgin Australia (VA) is a long term air service provider for the NT. Prior to COVID-19, VA's pre administration fleet consisted of a mixed aircraft type suited for routes with mass demand (e.g. Brisbane to Darwin) and ones with a lower volume, such as Adelaide to Alice Springs. We note from the VA and Alliance Airlines (QQ) application for authorisation of 23 October 2020 that VA will move to a single Boeing 737s mainline fleet post administration.

Both parties in the application currently have operations at the NT as part of its respective businesses, but will unlikely expand to introduce more regional routes without a partnership. VA's post administration fleet will be unsuitable for most regional routes due to the Boeing 737's size and capacity. Conversely, QQ lacks the marketing and distribution capabilities needed for the success of more mainstream regional routes, such as the ones indicated in the application. An alliance between VA and QQ will allow a symbiotic relationship for VA to gain access to QQ's fleet, and for QQ to leverage off VA's commercial platforms.

VA and QQ (the applicant) included eight routes of interest to the NT to be covered by the application. Of these, there are two routes currently without regular public transport services, being Alice Springs to Ayers Rock Airport and Cairns to Ayers Rock Airport.

Potential impact to the NT

Granting this application authorisation could benefit consumers with choice and affordability for travel to, from and within the NT. Prospective new air services arising from this authorisation may also have wider and positive implications for the NT.

1. Lower airfares: evidence from VA's entry into the Brisbane to Alice Springs market in June 2018 demonstrates the value of competition in delivering more affordable prices to consumers. Since VA commenced operations on the route alongside Qantas' services, average airfares declined 7.7% to \$215 one-way for the year ending May 2019, compared to \$235 for the corresponding period of the previous yearⁱ. Authorising the applicant to coordinate efforts will increase the chances of having more than one airline operating on some NT regional routes, leading to increased competition and lower airfares.
2. Onward connectivity: aside from improving access for specific flight routes, new flights will also expand international and interstate connectivity. Reusing Brisbane to Alice Springs as an example, the continued operation of this route by two airlines (including one party of the application) will mean travellers from places like Singapore or Rockhampton will have better day of the week flexibility and choice of airlines that can transport them to Alice Springs.
3. Economic development: two of three major airports in the NT are located in regional areas with a substantial dependency on interstate / international investments. Better aviation access will encourage spending that supports commercial growth and output.
4. Employment: QQ currently has an operational base in Darwin. A growth in its NT network could provide new local job opportunities for pilots, cabin crew, aircraft maintenance engineers, ground operations and administrative personnel, as a direct impact to employment. Indirectly, increased investment and visitors will also boost employment prospects.
5. Tourism: all the eight NT routes included in the applicant's proposal are important pathways to NT's tourism attractions, and is directly aligned with one of the key priorities highlighted in Tourism NT's 10 year strategic framework that aims to develop ongoing access to and within the NT. If granting authorisation results in the establishment of new routes or improvement of existing frequencies, the more convenient schedules and affordable access will help NT attract new visitors.

Summary

The applicant's proposal to coordinate selected regional flight routes is seen as an appropriate way to ensure Australia's regional centres continue to receive air services in a commercially efficient manner. The plan has a forward focused approach that takes into account VA's post administration structure and the synergistic opportunities through business partnerships. It also contemplates the shape of travel coming out of COVID-19. It is the view of the NT this has the potential to create a healthy and competitive environment that is advantageous to consumers and the NT.

Please contact Ms Valerie Smith, General Manager Destination Development, on telephone [REDACTED] or email [REDACTED] should you wish to discuss this submission.

Yours sincerely

[REDACTED]
Shaun Drabsch
Chief Executive Officer

ⁱ Source: IATA AirportIS data from June 2018 to May 2019 compared the same period in the previous year.