



MEDIA RELEASE

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Investigation into Qantas's stake in Alliance Airlines continues

The ACCC is continuing to investigate Qantas Airways' (Qantas) (ASX:QAN) acquisition of a 19.9 per cent stake in Alliance Aviation (Alliance) (ASX:AQZ) during these uncertain times in the aviation industry.

Qantas acquired a 19.9 per cent interest in Alliance last year, becoming Alliance's single biggest shareholder. On 1 August 2019, the ACCC [issued a statement of issues, which set out the ACCC's competition concerns with the minority stake](#).

The ACCC is providing this update in response to queries by various stakeholders. The Australian aviation industry is in a state of major upheaval and now, more than ever, we are concerned that competition by smaller airlines is not hindered. We will continue to seek information from market participants to gauge any impacts on competition arising from Qantas's stake in Alliance.

Alliance is an important and close competitor to Qantas, particularly in regional markets and for fly-in fly-out services for mining customers. Alliance, through a codeshare arrangement with Virgin, is also Qantas's only competitor on passenger routes between Brisbane and the important regional centres of Bundaberg and Gladstone.

"Qantas's decision to complete the acquisition of the 19.9 per cent stake in Alliance without first seeking ACCC clearance means this is an enforcement investigation rather than a standard merger review," ACCC Chair Rod Sims said.

"The Australian aviation industry remains highly concentrated and it is crucial that competition provided by smaller airlines is maintained long-term."

"The ACCC has been closely scrutinising the effects of the acquisition of this shareholding by Qantas. Acquiring a strategic stake in a close competitor in such a concentrated market raises clear competition concerns," Mr Sims said.

The ACCC's investigation is focussed on the competitive dynamics between Qantas and Alliance, examining whether Qantas's stake affects Alliance's ability to raise funds, consider takeovers or participate in commercial ventures, and whether Qantas is attempting to exert influence on Alliance's decision-making or operations.

"We will consider enforcement action if there is evidence that the Qantas shareholding is compromising Alliance's ability to be a strong competitor to Qantas, now and in the future," Mr Sims said.

Qantas has stated publicly that it intends to seek regulatory approval to build on its current shareholding, with a longer-term view of taking a majority position in Alliance.

"Our current view is that any further increase in Qantas' stake in Alliance is very likely to raise significant competition concerns under the Competition and Consumer Act," Mr Sims said.

Background

On 1 February 2019, Qantas announced it had acquired a 19.9 per cent shareholding in Alliance, and that it intended to subsequently seek regulatory approval to acquire a majority position. The current market value of the shareholding is estimated to be over \$60 million.

Brisbane-based Alliance supplies charter air services to corporate customers in Queensland, Northern Territory and Western Australia; mainly mining and resources companies requiring flights for their fly-in fly-out workforces. Alliance competes strongly with Qantas for this, in its own right or in cooperation with Virgin under the Charter Alliance Agreement.

Alliance and Qantas are also the only operators for regular passenger transport routes between Brisbane and the important regional centres of Bundaberg and Gladstone.

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