

# MEDIA RELEASE



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## ACCC denies re-authorisation of airline charter alliance

The ACCC has denied Virgin Australia Airlines and Alliance Aviation Services' (ASX:AQZ) application for re-authorisation of their agreement to coordinate and jointly tender for and supply services to corporate customers, mainly for fly-in fly-out employees.

“This application involves the second and third largest providers of FIFO services jointly tendering and coordinating services. The airlines have not demonstrated to us that there’s sufficient public benefit to outweigh the likely detriment from their proposed coordination, so we have decided not to re-authorise the conduct,” ACCC Chair Gina Cass-Gottlieb said.

“We’re concerned that continuing the charter alliance is likely to reduce the number of bidders in tender processes for charter services, particularly when there would only be one other large provider of these services, and so the potential incentives to reduce service levels or raise prices for FIFO charter services would remain.”

The ACCC considers that the charter alliance has not delivered the extent of public benefits that were foreshadowed when it authorised these arrangements in 2017. The ACCC took into account the past experience of the charter alliance’s operations in its assessment of the likelihood and extent of public benefits that the airlines claimed would arise if the alliance was re-authorised.

The ACCC considered submissions from the applicants and other interested parties. From these submissions, the ACCC understands that, while there is some support for the alliance, a number of customers do not place significant value on having a combined charter and Regular Public Transport service offering from Virgin and Alliance, and would prefer the airlines submit stand-alone bids in response to their tenders.

“The agreement to not compete for each other’s customers, while not always implemented to date, is also likely to reduce competition and incentives for the airlines to invest and innovate,” Ms Cass-Gottlieb said.

The ACCC accepts that the charter alliance is likely to result in some public benefit from greater operational flexibility for the airlines and some cost savings. However, on balance, the ACCC is not satisfied that the public benefits of the agreement outweigh the public detriments.

### Existing charter alliance contracts

In October 2022, the ACCC issued a [draft determination](#) proposing to deny authorisation. Afterwards, Virgin and Alliance requested that, if the ACCC was not satisfied the test for authorisation was met, it should grant conditional authorisation for up to five years (rather than deny authorisation) to enable the airlines to continue with existing charter alliance contracts until they expire (including options to extend).

The ACCC has decided not to grant this conditional authorisation as it had the potential to prolong much of the detriment.

The ACCC has told Virgin and Alliance that if they believe there would be public benefits from seeking an additional, transitional period of authorisation to enable them to unwind the charter alliance, they can lodge a new application.

The ACCC has also issued interim authorisation to only allow the airlines to continue to fulfil existing charter alliance contracts for a short period of time.

More information, including the ACCC's final determination, can be found on the ACCC's Public Register at [Virgin Australia and Alliance Airlines](#).

## **Background**

Virgin Australia and Alliance Airlines sought ACCC authorisation for the extension of their charter alliance agreement because some parts of it raise concerns under the cartel and other restrictive practices provisions of the Competition and Consumer Act.

Virgin Australia operates a network of domestic and international regular public transport services from its main hub at Brisbane Airport in Queensland.

Virgin Australia Regional Airlines (VARA) operates from a base at Perth airport, primarily providing charter flights throughout Western Australia. VARA also has access to Virgin Australia's national network of regular public transport services.

Alliance Airlines has a national network of charter services but only offers limited regular public transport services.

Charter flights are dedicated services that run exclusively for a resource customer who determines the routes, flight schedules and aircraft capacity, and are not part of an airline's published schedule.

Regular Public Transport refers to airline travel by scheduled flights and routes available to the general public.

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