



18<sup>th</sup> December 2012

Dear Mr Mridha

**Submission re: Virgin Australia/Tiger Airways – proposed joint venture to operate Tiger Australia (attention Rizvi Mridha)**

On behalf of the Geelong Chamber of Commerce I wish to submit comments in relation to the above.

**Questions for market participant**

**Your business**

1. Please describe your business or organisation and any relationship you have with Virgin Australia and/or Tiger Australia (e.g. competitor, supplier, customer, industry body or interested third party).

The Geelong Chamber of Commerce was established in 1853 and is one of the oldest and largest chambers in Australia. The Chamber currently has over 650 businesses in the Geelong region as members. The role of The Chamber is to provide advocacy, information, education and assistance to all businesses from micro businesses to large corporations within the Geelong region.

The Chamber and its members represent both suppliers and customers of Avalon Airport from which Tiger Australia had some limited flights in operation.

2. Please provide your view as to the relevant markets for assessing the competition effects of the proposed acquisition, including whether the 'market for regular domestic air passenger transport services within Australia' is a relevant market, and whether it is also appropriate to analyse the effect of the proposed acquisition on competition in a more narrowly defined 'market for low cost domestic air passenger transport services'.

The Chamber is of the view that the market for the regular domestic air passenger transport services within Australia is a relevant market to assess the competition effects of the proposed acquisition and we believe that it is also appropriate to analyse the effect of the proposed acquisition on competition in a more narrowly defined market for low cost domestic air passenger transport services.

3. Please comment on the competition that currently exists between Virgin Australia and Tiger Australia and in particular the closeness of competition between them. In doing so, please address the following dimensions:
  - a. price, including specials and promotions;
  - b. frequency of flights on each route;
  - c. aircraft quality, service quality, on time running, inclusions and extras; and
  - d. range of destinations.

The Geelong Chamber of Commerce believes that approval by the ACCC of the acquisition of Tiger Australia by Virgin Australia will result in positive impacts on Avalon Airport as well as the entire region. This acquisition will strengthen Tiger Australia by providing an important financial supporter. It will also lead to fair competition between the Qantas and Virgin groups by allowing both to have a low cost carrier and a premium carrier within their groups.

It is likely that the acquisition would result in additional flights by Tiger out of Avalon. It is understood that the Virgin Australia Chief Executive Officer, John Borghetti, has stated publicly that he would seek to provide a clear differentiation between the two brands and it is considered likely that Avalon Airport would be used to provide this differentiation. Since Tiger Airways had left Avalon Airport the number of flights by Jetstar has not increased it is believed that this is due to a lack of competition. The proposed acquisition would redress this situation.

4. Please comment on the extent of competition that is currently provided by other providers of air passenger transport services in Australia including Qantas (through Qantas, Qantaslink and Jetstar), Skywest, Regional Express and any other providers you consider significant. In responding, please comment on the closeness of competition between these providers and Virgin Australia and Tiger Australia respectively.

The Chamber is unable to provide comment on this question.

#### **Possible competitive constraints through the threat of entry or expansion**

5. The ACCC will consider the extent to which actual or threatened new entry or expansion by competitors would provide a competitive constraint that would prevent the parties from increasing prices and/or decreasing service quality/frequency.

Please comment on:

- a. whether you consider it likely that a new competitor (including overseas competitors not currently operating in Australia) will commence operations in Australia on a scale similar to that of Tiger in the foreseeable future (including the reasons for your view);
  - b. your view about the likely response of Qantas (including Jetstar and Qantaslink) or any other existing competitor to the proposed acquisition, including any changes to capacity, fares, service levels, fleet size or any other relevant aspect of its operations.
- Likely effect of the proposed acquisition

The Chamber is unable to provide comment on this question.

6. What do you consider to be the likely effect of the proposed acquisition on competition? In particular:

a. Do you consider that the proposed acquisition is likely to provide Virgin Australia and/or Tiger Australia with the ability or incentive to increase prices and/or decrease service quality/frequency? Why or why not?

The Chamber believes that the proposed acquisition would serve to retain low cost flights as this would provide genuine competition with Jetstar being the low cost carrier for the Qantas brand. Chamber members have indicated via a survey conducted this year that they would access flights out of Avalon if more frequent and low cost options were available.

b. Is Tiger an exceptionally vigorous and effective competitor? For instance, has Tiger Australia been responsible for any significant changes to pricing or the way that airline services are delivered, and would the incentive for such competition/innovation be reduced by the proposed acquisition?

The Chamber is unable to provide comment on this question.

c. What impact, if any, is the proposed acquisition likely to have on the frequency of low cost services provided in Australia?

The Chamber believes that the proposed acquisition would likely increase the frequency of low cost services within Australia.

#### **Other information**

7. Please provide any other information that you consider may be relevant to the ACCC's assessment of the proposed acquisition.

Should Virgin not be able to acquire Tiger it may be questionable as to the long term financial viability of Tiger. Should Tiger become financially unviable this would lead to a reduction in the availability of low cost carriers within Australia.

In conclusion, The Geelong Chamber of Commerce strongly supports the proposed acquisition by Virgin Australia of Tiger Australia. Resumption of flights by Tiger out of Avalon will provide businesses and the people of the Geelong region with greater flight options, particularly if this results in greater competition from Jetstar to increase the frequency and number of destinations emanating from Avalon.

Yours sincerely,



**Bernadette Uzelac**  
Executive Officer