

MEDIA RELEASE



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Qantas' proposed acquisition of Alliance Airlines raises preliminary competition concerns

The ACCC has outlined preliminary competition concerns with Qantas Airways' (ASX: QAN) proposed acquisition of Alliance Aviation Services Ltd (ASX: AQZ) in a statement of issues published today.

In Australia, Qantas and Alliance provide air transport services to regional and remote areas for corporate customers. The airlines closely compete in the supply of these services to mining and resource companies who need to transport 'fly-in fly-out' workers in Queensland and Western Australia.

"We are concerned that this proposed acquisition is likely to substantially lessen competition for air transport services to and from regional and remote areas in Queensland and Western Australia for corporate customers," ACCC Chair Gina Cass-Gottlieb.

"This merger would combine two of the top three operators of air transport services in Queensland and Western Australia" said Ms Cass-Gottlieb.

"Industry participants have expressed strong concerns about the impact of this proposed acquisition on air transport services, particularly to regional and remote areas,"

The proposed acquisition would remove Alliance as the only competitor to Qantas on the Brisbane-Moranbah regional passenger transport route.

The ACCC is considering the level of competition provided by airlines such as Virgin and Cobham's regional services arm, which was recently purchased by Rex.

The ACCC is also considering how the removal of Alliance's aircraft leasing services would impact the ability of current and new entrants to compete against Qantas on regional routes.

Alliance is a key supplier of wet-leased medium-sized aircraft to other airlines. Wet-leases are arrangements where an airline leases a plane, crew, and other related services from another airline or business. Wet leases are often used by airlines to expand into new routes or to provide temporary capacity increases.

"Our preliminary view is that there are already significant barriers for airlines who want to enter or expand their operations in regional and remote areas, including access to pilots, airport facilities and infrastructure, and associated regulatory approvals. The removal of Alliance as a supplier of wet-leases or the increase in price of wet-leases for Qantas' competitors is likely to significantly increase these barriers," Ms Cass-Gottlieb said.

"A competitive and well-functioning aviation sector is fundamental to the Australian economy. We will closely scrutinise all mergers that may reduce competition in this sector."

The ACCC invites submissions from interested parties in response to the statement of issues by 1 September 2022. The ACCC's final decision is scheduled for 17 November 2022. More information is available on: [Qantas' proposed acquisition of Alliance Airlines](#).

Background

Qantas is a publicly listed Australian airline which operates regional passenger transport services in all Australian states and territories, along with contracted and ad-hoc private charter flight services to customers mostly in Queensland and Western Australia.

Qantas has the largest fleet of aircraft in Australia, ranging from small turbo-propeller aircraft in the sub-60 seat category to large 470 seat jumbo jets.

Alliance is an aviation services company with bases in Brisbane, Townsville, Cairns and Perth among others. It specialises in the provision of private charter flight services to corporate customers as well as some limited regional passenger transport services available to the public. Alliance also offers aircraft leasing and associated services to other airline customers.

Alliance's fleet primarily comprises medium sized jet-aircraft with 60 to 160 seats.

Qantas and Alliance provide corporate aviation services to resource companies that have worksites in remote or regional locations and require their workforces to be flown in and out of these locations. Other providers of these services include Virgin (and VARA), Cobham and Rex, along with several smaller airlines.

Resource customers can be serviced through a combination of closed charter, open charter and regional passenger transport services, though tend to rely on medium sized aircraft of 60 to 160 seats due to regional airstrip restrictions and aircraft economics.

Media enquiries: 1300 138 917

Email: media@accc.gov.au

accc.gov.au/media