

Matter name:	Virgin Australia & Alliance Airlines – Application for authorisation
Date & Time:	9:00am-9:50am AEDT Friday 25 November 2022
External attendees:	Carly Povey (Chief Commercial Officer), Tim Jordan (CEO)
ACCC participants:	Anna Pound, Lilly Walsh

Information provided by Fly Bonza (**Bonza**) in relation to the application for authorisation is summarised below:

Fly Bonza's entry into the market

- Bonza is planning to enter the Australian airline market. As of late November, Bonza is at the 'pointy end' of the process, taking aircraft for test flights and signing off on ground handlers. Bonza is now awaiting regulatory approvals from the Civil Aviation Safety Authority (**CASA**). This is a very thorough process and Bonza is working closely with CASA. It's difficult to say when Bonza will be entering the market – it's dependent on when CASA provides the relevant regulatory approvals. However, Bonza is making good progress.

Government funding as a barrier to entry

- *Bonza would certainly welcome an opportunity to talk further on the important subject of 'Government funding as a barrier to entry' post our operational start-up.*

Infrastructure as a barrier to entry

- *Bonza would certainly welcome an opportunity to talk further on the important subject of 'Infrastructure as a barrier to entry' post our operational start-up.*

Airport support as a barrier to entry

- *Bonza would certainly welcome an opportunity to talk further on the important subject of 'Airport support as a barrier to entry' post our operational start-up.*

Charter services

- Bonza will be focused on operating Regular Passenger Transport (RPT) services, rather than charter services. Bonza plans to leverage charter capacity on an ad hoc basis where there are disruptions in operations.
- Bonza plans to hire aircraft from other providers where needed. That needs to be an option for Bonza during times of operational disruptions. Bonza sees Alliance as being a potential major supplier in these situations and is concerned if Alliance could refuse to charter aircraft to Bonza especially if Virgin can tell Alliance to refuse under the CA. Bonza also believes there needs to be safeguards in place to ensure aircraft leasing to Bonza in such circumstances occurs at market cost, and not at a punitive cost to Bonza.

Non-price services

- Bonza will not be offering traditional frequent flyer programs or airport lounges. Bonza views providing low-cost fares to customers to be the most important aspect of its business model.

CAA as a constraint on Qantas

- Bonza views the CAA to provide some very limited constraint on others in the charter market. For example, the recently approved acquisition of Cobham by Rex has enabled them to potentially provide an service offering of aircraft seating from about 30 seats up to about 180 seats. Qantas already offers this too. As such the CAA allows Virgin to potentially fill the market for smaller aircraft of 70-80 seats that they currently cannot.

Views of the CAA

- Bonza sees some very limited benefit of the CAA in the FIFO market, in that it levels off competition between other larger FIFO providers and the CA.
- Bonza believes it is very difficult at the moment for smaller FIFO operators such as AirNorth and Hevilift to compete with the larger FIFO operators. These operators are certainly viable cost alternatives to the larger operators BUT their limited breadth of service offering i.e. fleet, will certainly limit their ability to bring competitive tension to the FIFO / Charter market. The CA moving ahead would not assist them at all in this regard.
- In summary, approval of the CA will in Bonza's opinion marginally assist the competitive position of the largest FIFO operators amongst each other, but that will be to the significant detriment of smaller FIFO / charter providers in the country.