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Dear Interested Party

Request for submissions: Korean Air's proposed acquisition of Asiana

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on Korean Air Lines Co., Ltd.'s (**Korean Air**) proposed acquisition of a 63.88% share of Asiana Airlines, Inc. (**Asiana**) (the **proposed acquisition**).

Korean Air and Asiana are global companies, which are involved in the supply of international passenger and freight services around the world and in Australia. In particular, Korean Air and Asiana both supply:

- air passenger services between Australia and Korea (and in particular, between Sydney and Seoul); and
- air freight (cargo) services between Australia and Korea, including for products, such as meat, agricultural and livestock products, chemical products and electronic products.

Further details regarding the parties are at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- how closely Korean Air and Asiana compete in the provision of air passenger and air freight services between Australia and Korea, and in particular between Sydney and Seoul;
- whether there are sufficient alternate suppliers to maintain competition;
- the impact on price or service levels if the proposed acquisition proceeds;
- the likelihood of new entry into the air passenger and air freight services markets between Australia and Korea, and in particular between Sydney and Seoul; and

- whether there are any other potential acquirers of Asiana.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010* (the **Act**). Section 50 prohibits mergers and acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **28 January 2022** via email with the title: *Submission re: Korean Air / Asiana – attention Eado Varon / Olivia King*. If you require more time to respond, please let us know.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Eado Varon on (03) 9910 9415 or Olivia King on (03) 9290 1498.

Updates regarding the ACCC's investigation will be available on the [ACCC's Public Mergers Register](#).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Nick Cooke
General Manager (acting)
Merger Investigations

Attachment A

The proposed acquisition

Korean Air is proposing to acquire 63.88% of the total issued and outstanding stock of Asiana. Both Korean Air and Asiana provide international passenger and freight (air cargo) services between Australia and Korea.

The transaction is subject to review in a number of jurisdictions including Korea, Japan, the European Union, China, the United Kingdom and the US. The ACCC is engaging with international competition authorities regarding their reviews. The parties have advised the ACCC that in Korea, in order to obtain regulatory approval from the Korea Fair Trade Commission (**KFTC**), the parties have offered a possible remedy relating to exchange of airport slots at Incheon airport. The KFTC review is ongoing and no decision has yet been made.

Korean Air

Korean Air is a privately owned full-service carrier that operates both domestic and international flights via a hub and spoke network that is based at Incheon International Airport (**Incheon**), which services the Seoul area. It is a member of the 'SkyTeam' Alliance.

Korean Air provides both air passenger and air freight services to 107 international cities in 42 countries.

In Australia, Korean Air provides direct international flights between Seoul and each of Sydney and Brisbane. It also supplies air freight services on these routes and to / from other destinations (by truck to / from Sydney and Brisbane). Freight is predominantly transported as 'belly freight' (i.e., transported in the belly of passenger aircraft) rather than via dedicated freight aircraft.

Asiana

Asiana is a full-service carrier that is also headquartered in Seoul with its operations based out of Incheon. It is a member of the STAR Alliance, and is listed on the Korean Exchange.

Asiana provides both air passenger and air freight services to 64 international cities in 21 countries as part of its airline service business.

In Australia, Asiana operates direct international flights between Sydney and Seoul and also offers air freight services on this route (with cargo also predominantly transported as belly freight). Asiana also offers flights between Seoul and Perth, though these are operated by Singapore Airlines via codeshare arrangements. Qantas and Asiana are also party to a codeshare arrangement for flights between Sydney and Seoul, with these flights being operated by Asiana.

Attachment B

Questions for all interested parties

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationships with either Korean Air or Asiana.
3. Please discuss whether you are aware of any other viable purchasers that have expressed interest in acquiring Asiana or its aircraft / other assets. If so, please provide details.

Questions for current or prospective competitors

4. Please identify any air passenger and air freight services that you currently provide between Australia and Korea, or have plans to provide in the future.
5. Please identify competitors for the supply of each service identified in your response to Question 4. Please provide estimated market shares where possible.
6. Please discuss the likelihood of new entry into markets for air passenger and air freight services between Australia and Korea, and in particular between Sydney and Seoul. In your response, please consider the timeframe for market entry and provide details about barriers to entry, such as regulatory barriers (including capacity limits or slot availability at airports) or access to key inputs. Please provide examples of recent entry where possible.
7. Please discuss whether or not you are likely to commence the operation of flights between:
 - a. Australia and Korea (if you are not already); and
 - b. between Sydney and Seoul.

Please include reasons as to why / why not.

Questions for customers

Customers of air passenger services between Australia and Korea

8. When planning travel between Australia and Korea, please:
 - a. discuss whether you consider both direct and indirect flight options, and if so, the factors most likely to impact your decision on which airline to fly with; and
 - b. discuss whether you consider both full-service carriers (i.e., carriers that provide meals, baggage and entertainment as part of the ticket cost) as well low-cost carriers (i.e., carriers typically offering cheaper fares that do not include certain services such as baggage allowances, meals or entertainment).

Customer of air freight services

9. Please identify and describe the types of cargo that you export / import between Australia and Korea.
10. Please describe any specific transport / handling requirements for the products that you export / import (e.g., refrigeration or delicate handling).

11. Please describe how you procure air freight services between Australia and Korea (e.g., through tender or other methods).

All customers

12. Please identify and describe the key alternate suppliers that are capable of servicing your needs. In your response, please identify any suppliers that you consider to be particularly vigorous or effective competitors (e.g., through innovation, product offering or service).
13. Please discuss whether prices may increase, or service levels may decrease due to the proposed acquisition, for the air passenger or air freight services that you procure in Australia.
14. Please discuss the extent to which you consider Korean Air and Asiana to be close competitors in the supply of air passenger and air freight services between Australia and Korea. In your response, please consider factors such as the type of services that the parties supply, their geographic areas of supply and their participation in tender processes.

Other information or competition issues

15. Please provide any additional information or comments, or identify any other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.