

MEDIA RELEASE



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ACCC opposes Qantas' acquisition of Alliance

The ACCC will oppose Qantas Airways' (ASX: QAN) proposed acquisition of Alliance Aviation Services Ltd (ASX: AQZ).

Qantas and Alliance are key suppliers of air transport services to mining and resource companies who need to transport 'fly-in fly-out' workers in Western Australia and Queensland.

After a thorough investigation of the proposed acquisition, the ACCC has concluded that the transaction is likely to substantially lessen competition in markets for the supply of air transport services to resource industry customers in Western Australia and Queensland.

"We consider Alliance to be an important competitor to Qantas, and the removal of Alliance is likely to substantially lessen competition threatening increased prices and reduced service quality for customers," ACCC Chair Gina Cass-Gottlieb said.

"Qantas and Alliance currently strongly compete with each other in markets where there are few effective alternatives. The proposed acquisition would combine two of the largest suppliers of charter services in Western Australia and Queensland."

"Flying workers in the resource industry to and from their worksites is an essential service for this important part of the Australian economy, so it is critical that competition in this market is protected," Ms Cass-Gottlieb said.

The ACCC also received considerable feedback that Alliance is strongly valued by customers as a particularly vigorous and effective competitor.

"For many customers, Alliance is the preferred supplier due to its large fleet capacity, customer-centric approach and high-quality service offerings, including having the highest on-time-performance in the industry and demonstrated flexibility and willingness to meet customer needs," Ms Cass-Gottlieb said.

"Alliance doesn't sell seats on major passenger routes, so many Australians may not have heard of them, but it is one of Australia's most significant airlines, with 70 aircraft currently and more on order."

"Combining such an important player with Australia's largest airline, Qantas, would be likely to substantially lessen competition and is something we oppose," Ms Cass-Gottlieb said.

The ACCC carefully considered the level of competition provided by other airlines such as Virgin Australia and National Jet Express (which was recently purchased by Rex), and other smaller market participants.

The ACCC found that it is unlikely a new or existing airline could expand quickly to a scale that would address the loss of competition resulting from the proposed acquisition.

"Qantas will face limited competition if allowed to acquire Alliance because most other airlines lack the right aircraft, fleet size, or capabilities needed to compete effectively," Ms Cass-Gottlieb said.

"Airlines wanting to enter or expand at scale, face a combination of barriers, including incumbency advantages, the need to establish a reputation for providing a reliable service, access to and training of air crew and engineers, access to suitable aircraft and infrastructure, and the significant regulatory requirements to fly."

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“This combination of factors makes it very difficult for smaller airlines to win significant customer contracts and grow their business,” Ms Cass-Gottlieb said.

Background

Qantas operates regular passenger transport services in all Australian states and territories, along with contracted private charter flight services to customers mostly in Queensland and Western Australia.

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, and in providing aircraft leasing and associated services to other airline customers.

Qantas currently wet-leases 18 Embraer E190s from Alliance with the option to eventually lease up to 30 aircraft.

On 1 February 2019, Qantas announced it had acquired a 19.9 per cent holding in Alliance Aviation. In April 2022, the ACCC decided not to take enforcement action against Qantas' acquisition of the 19.9 per cent holding in Alliance.

On 5 May 2022, Qantas announced that it had reached an agreement to acquire the remaining shares in Alliance that it does not already own.

Media enquiries: 1300 138 917

**Email: media@accc.gov.au
[accc.gov.au/media](https://www.accc.gov.au/media)**