

16 January 2025

Ms Jasmina Ackar
Director
International Air Services Commission
GPO BOX 630
CANBERRA ACT 2601

Via email: Jasmina.Ackar@infrastructure.gov.au

Dear Ms Ackar,

Submission on Virgin Australia's application for allocation of capacity on Qatar route

The Australian Travel Industry Association (ATIA) welcomes the opportunity to provide a submission to the International Air Services Commission (IASC) in relation to Virgin Australia's (VA) application for allocation of capacity on the Australia – Qatar route. ATIA is the peak body for Australia's travel businesses and represents travel agents, tour operators, wholesalers and consolidators. ATIA supports the application, which represents an opportunity to provide increased capacity, choice and connectivity that should result in benefits for both consumers and the travel industry.

The Australian Competition and Consumer Commission (ACCC) has granted an interim authorisation for an integrated alliance between VA and Qatar Airways, which allows them to cooperate in relation to the deployment of capacity on routes between Australia and Doha. ATIA provided a detailed submission to the ACCC, which can be accessed on the [ACCC website](#). While the ACCC's final determination is expected in March/April this year, we note the ACCC's advice to the IASC that the conduct appears likely to result in public benefits in the form of enhanced products and services, including increased capacity.

In relation to competition considerations, Qatar and the United Arab Emirates (UAE) primarily operate as a "Middle East hub" market, meaning most of the passengers that are carried on these routes are unlikely to be UAE residents destined for Australia and vice versa. Most passengers are likely to be residents of Europe flying to Australia or residents of Australia flying to Europe, so flights to Qatar and the UAE are more so a part of the European market as major stopover points.

ATIA's analysis reveals that from 2021 to 2023, the concentration on the Australia-UAE route increased by 2000 points to over 7,000 on the Herfindahl-Hirschmann Index (HHI), a well known metric that can be used to determine the concentration of airlines on routes. This is significant in the context that a HHI that is close to 10,000 indicates a monopoly route while a HHI that is close to zero indicates a highly competitive route. This decrease in competition has primarily been driven by Etihad's speed of recovery. Australia is now back to the high concentration levels on the Middle Eastern hub not seen since 2008.

The proposed additional capacity in the form of an additional carrier in VA via wet-lease will ultimately lead to a lowering of concentration levels through the Middle East for Australians to access the Middle East and through to Europe, which ultimately benefits consumers. Airfares between Australia and the Middle East to Europe and the UK have remained relatively expensive post-COVID, so encouraging capacity and competition on these routes is a key priority.

The proposed addition of 28 new return flights between Australia and Doha every week is likely to deliver greater choice and schedule flexibility. The new services will increase the daily frequencies on many routes and open up the choice of additional departure and arrival times. In its application to the ACCC, VA also noted there will be over 100 new 1-stop itineraries with layovers of 4 hours or less to destinations throughout Europe, the Middle East and Africa made as result of the proposed conduct. This should improve connectivity, convenience and choice, resulting in benefits for both inbound and outbound travellers. Increased Australia-Doha frequencies should also mean more flexibility for customer re-accommodation in the event of a schedule disruption.

In addition, due to the highly concentrated nature of the domestic market, the additional capacity and relationship with Qatar Airways may lead to benefits in terms of increased domestic traffic and enhancing the appeal of VA's domestic offerings through increased connectivity, and thus enhancing its ability to compete. Healthy competition is critical for the effective operation of markets so that businesses have the incentive to operate efficiently, price competitively and offer products valued by consumers.

The proposed wet-lease arrangement is not without precedent in Australia and is standard aviation practice. In this instance, it appears to be a way forward in ensuring the Australian public can benefit from increase capacity in circumstances where VA has a current fleet limitation (single-aisle B737s). In addition, the wet-lease is proposed for a short, time-limited period only. In these circumstances, ATIA is comfortable with the intention and safeguards of the VA and Qatar Airways proposal and that it will lead to better consumer outcomes. This is particularly the case given no other application for capacity was received by IASC.

As a founding and ongoing member of the Government's Consular Consultative Group, we are briefed on support provided by carriers and are aware that Qatar Airways has and continues to provide support for Australians in need of assistance. For example, it maintained strong frequency of flights supporting Australians during the COVID-19 pandemic, and it continues to be a critical provider of airline services to repatriate Australians who require emergency assistance.

Overall, ATIA supports the application by VA for additional capacity between Australia and Doha and we thank the IASC for considering the views of the travel industry.

Yours sincerely,

Ingrid Fraser
Director of Public Policy and Advocacy
Australian Travel Industry Association