



Domestic airline competition in Australia

February 2024



Acknowledgement of Country

The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

Australian Competition and Consumer Commission
Land of the Ngunnawal people
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Glossary

ABS	Australian Bureau of Statistics
BITRE	Bureau of Infrastructure and Transport Research Economics
CASA	Civil Aviation Safety Authority
CCA	<i>Competition and Consumer Act 2010 (Cth)</i>
Larger city	Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra or the Gold Coast.
Load factor	The total number of passengers as a proportion of the total number of seats flown across all airlines.
Qantas	Qantas domestic passenger airlines that include Qantas Domestic and QantasLink airlines.
Qantas Group	Qantas Domestic, QantasLink and Jetstar Domestic airlines.
Regional	Domestic locations other than Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra and the Gold Coast.
Revenue passenger-kilometres (RPKs)	Calculated by multiplying the number of revenue passengers travelling on each flight stage, by the distance in kilometres between the ports.
Short haul international	Short international routes (e.g., Sydney – Nadi (Fiji)), that typically have a flight duration of less than 6 hours.
Virgin Australia	Virgin Australia domestic passenger airlines that include Virgin Australia and Virgin Australia Regional Airlines (VARA). Virgin Australia also operated Tigerair until March 2020.
Wet lease	An agreement whereby an airline leases an aircraft and crew.

Key industry insights and developments

Domestic airline industry showing signs of stabilising post-pandemic



After several years of fluctuations associated with the COVID-19 pandemic, followed by an uneven period of recovery, the domestic airline industry appears to have stabilised. The post-pandemic industry is characterised by more leisure and less corporate travel, more choice of airlines and routes, and less reliable services.

Airfares generally fell in 2023



After reaching record high levels in late 2022, domestic airfares were generally lower in 2023. In December 2023 average revenue per passenger was 13.4% lower than December 2022 after adjusting for inflation. The decrease was consistent with cheaper jet fuel, additional seat capacity and an easing of post-pandemic pent-up demand.

Service reliability remains below long-term industry averages



Cancellation rates and delays across the domestic airline industry continue to exceed long-term averages. In December 2023 on-time performance was 63.6% relative to the industry long-term average of 81.1%. A shortage of air traffic control staff has contributed to this poor performance, particularly at Brisbane Airport.

Bonza's expansion improves regional connectivity



New low-cost carrier Bonza has completed its first full year of operations. It has improved regional connectivity by introducing 35 routes (by December 2023), with 33 of these connecting regional locations, such as Bundaberg – Melbourne and Mildura – Sunshine Coast.

The ACCC has proposed measures to promote airline competition and better protect consumers



The ACCC submission to the Australian Government's Aviation Green Paper supports measures that would give new and expanding airlines better access to take-off and landing slots at Sydney Airport, an independent ombuds scheme to handle consumer complaints, a targeted and fit-for-purpose compensation scheme for delayed and cancelled flights and a review of the Aeronautical Pricing Principles for major airports.

Executive summary

After several years of fluctuations associated with the COVID-19 pandemic and an uneven period of recovery, passenger levels and seat capacity in the domestic airline industry appear to be stabilising. Around 4.8 million passengers flew in December 2023, representing 94% of pre-pandemic levels. While this rate peaked at around 98% in June 2023, it has generally hovered at around 90–95% since December 2022.

The trends observed over the past 12 months appear to be structural and unlikely to change in the short-term. While the industry experienced some pent-up demand for holiday travel in 2022, it appears that this is no longer the case. As of December 2023, the recovery rate on the main routes to holiday destinations such as the Gold Coast continued to exceed pre-pandemic levels. Meanwhile, corporate travel demand continues to lag, with passenger volumes for major capital city services such as Melbourne – Sydney the equivalent of 85% of pre-pandemic levels in December 2023.

Domestic airfares have come down since the record highs in late 2022. When adjusted for inflation, average revenue per passenger, which incorporates all fare types, was 13.4% lower in December 2023 compared to December 2022. This was consistent with lower jet fuel prices, airlines slightly increasing seat capacity, and an easing of post-pandemic pent-up demand for travel. Average revenue per passenger was 1.4% lower than pre-pandemic levels (December 2019). However, best discount economy airfares have not yet fallen to pre-pandemic levels. The general fall when adjusted for inflation may not reflect consumer experiences, who are still paying significantly more to fly in nominal terms than they did prior to the pandemic.

Despite evidence of falling airfares and stability in overall passenger volumes and capacity, service reliability remains a significant concern. Over the past 12 months, cancellation rates across the industry have consistently been above the long-term industry average of 2.2%. On-time performance was also poor at 63.6% in December 2023 relative to the industry long-term average of 81.1%.

Factors contributing to poor service reliability and within airlines' control, include efforts to manage systemic issues associated with the COVID-19 pandemic, pilot shortages, pilot training bottlenecks and some supply chain disruptions. In addition, Airservices Australia (Airservices) has acknowledged that a shortage in its workforce of air traffic controllers is contributing to the poor performance. It reported that it was responsible for 6% of flight cancellations and 16% of total ground delays in December 2023.¹

As low-cost carrier Bonza completes its first full operational year, it has impacted on consumer choice and connectivity in the market. In December 2023 the airline operated 35 domestic routes. Of these, 24 were unserved by any other airline and almost all (33) catered to regional demand. It has also demonstrated promising on-time performance for some periods through its first year, with an average cancellation rate of 0.4% for the period August to October 2023 inclusive. However, Bonza underestimated the timeframe to get regulatory approval to operate additional aircraft sourced from Canada, which led to a large spike in cancellation rates in December 2023.²

For the first time, Australia had 4 different airline groups competing on a single domestic route. Bonza began offering services between the Gold Coast and Melbourne in November 2023, joining the Qantas Group (including Jetstar), Rex and Virgin Australia. About 1 in every 2 domestic passengers in December 2023 flew on routes with either 3 or 4 competing airline groups. Despite this, the industry remains highly concentrated with the Qantas Group accounting for 61.8% of passengers.

1 Airservices Australia, [December Australian Aviation Network Overview](#), p 16, accessed 24 January 2024.

2 ABC, [Bonza works to rebuild trust after reaching temporary agreement with Civil Aviation Safety Authority](#), 20 December 2023, accessed 7 February 2024.

While Rex reported an operational loss before tax of \$31.7 million for the 2023 financial year, the incumbent major airlines both returned to profit. In August, the Qantas Group announced record underlying profit before tax of \$2.47 billion. Virgin Australia reported profit before tax of \$439 million, its first profit in 11 years.

The government continues to consult with the aviation industry on policy initiatives to improve competition and consumer protection. In response to the release of the Aviation Green Paper, the ACCC made a submission which urged the government to adopt reforms as soon as possible that would better enable new and expanding airlines to obtain take-off and landing slots at Sydney Airport. Our submission also encouraged the government to improve the consumer protection framework for the airline sector, including the introduction of an independent ombuds scheme for resolving consumer complaints.

Under direction from the government, the ACCC is to monitor and report on the domestic airline industry for a period of 3 years starting from the quarter ending 31 March 2024. This is our first report under the new direction, which expires in December 2026.

1. Introduction

1.1 Government direction to monitor domestic airline services

The Australian Competition and Consumer Commission (ACCC) is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses and the Australian community. The primary responsibilities of the ACCC are to enforce compliance with the competition, consumer protection, fair trading and product safety provisions of the *Competition and Consumer Act 2010* (Cth) (CCA), regulate national infrastructure and undertake market studies.

On 6 November 2023 the Treasurer [directed](#) the ACCC to recommence domestic air passenger transport monitoring under subsection 95ZE(1) of the CCA. This follows the direction issued to the ACCC by the former Treasurer, which expired in June 2023.

Under the direction the ACCC is to monitor prices, costs and profits relating to the supply of domestic air passenger transport services for three years and to report on its monitoring at least once every quarter. This is the ACCC's first report under the new direction. The direction applies until December 2026.

In announcing the direction, the Treasurer stated that ACCC market scrutiny will help ensure airlines compete on their merits and bring to light any inappropriate market conduct should it occur. The Treasurer also said that it will assist in providing continued transparency at a time when new and expanding airlines are still trying to establish themselves.³

The ACCC's monitoring and reporting on the domestic airline industry is separate but related to its enforcement of competition law under Part IV of the CCA. We will prioritise investigations about anti-competitive agreements and practices, and the misuse of market power. We will consider enforcement action where we form the view that conduct is likely to breach the CCA.

In its monitoring, the ACCC may find that the level of competition within the industry is insufficient to meet the needs of consumers, or it may identify anti-competitive behaviour that falls short of thresholds for enforcement action. We will recommend potential policy options to government should we identify practical action that could be taken to improve competition. Recently, we provided a submission in response to the government's Aviation Green Paper⁴ (see section 2.3 for details on our submission).

Under section 95ZK of the CCA, the ACCC can compel airlines to give information and produce documents to the ACCC relevant to that airline's supply of domestic air passenger transport services. We have established arrangements to collect monthly and quarterly data from Bonza, the Qantas Group (including Jetstar), Rex and Virgin Australia. These airline groups supply close to all regular domestic air passenger services in Australia. On occasion we also seek qualitative information from the airlines, such as Board papers about company strategy. The ACCC has legislative obligations in relation to its management and disclosure of confidential information. In accordance with these obligations the public monitoring reports will present only some of the information collected from the airlines.

3 The Hon, Dr Jim Chalmers (Treasurer), [ACCC directed to monitor domestic air passenger services](#) [media release], 18 October 2023, accessed 4 December 2023.

4 ACCC, [Aviation Green Paper – ACCC submission in response to the terms of reference](#), November 2023.

2. Industry developments

2.1 Passenger levels and capacity have settled after a tumultuous few years

The last 4 years have been a turbulent period for the Australian domestic airline industry. The industry was one of the hardest hit when the COVID-19 pandemic took hold in early 2020 as international and domestic borders were closed. Aircraft were returned to lessors or put into storage, jobs were made redundant, and government helped to fund a bare minimum of services for essential supplies.

The recovery from the pandemic has also been challenging. On a number of occasions, the airlines ramped up their capacity for a return to flying, only for a new wave of infections to result in further flight cancellations. When passengers were confident to fly again, the industry struggled to meet this pent-up demand with reduced workforces, new staff and ongoing supply chain disruption. The result was poor service reliability and high airfares.

Even by the end of 2023, the industry has yet to have a month where it flew at least the same number of passengers or seats that it did in the equivalent month in 2019. As discussed in section 3.1, in December 2023 the industry recorded a recovery rate of 94% for passengers and 95% for capacity (as measured by seats) compared to December 2019.

Despite this, it appears reasonable to consider the recovery period over. Various measures for the industry have stabilised, particularly over the past 6 to 9 months, with movements appearing to represent seasonal factors more than an incremental return to pre-pandemic levels. These measures include passenger volumes and airline seat capacity, airline route network size, airfares and cancellations and delay rates.

The domestic airline industry looks different to the one from immediately prior to the pandemic in some ways. Virgin Australia ceased operations of its low-cost subsidiary Tigerair in 2020. It also re-designed its service offering to target more 'value-conscious' travellers in the middle of the market, meaning Qantas now faces less direct competition for the premium corporate travel segment. In 2021 regional airline Rex acquired several jet aircraft and began offering services connecting larger cities. More recently in 2023, low-cost carrier Bonza became the first high-capacity airline to enter the industry in 15 years.

The expansion of Rex and the launch of Bonza has meant more people are flying on routes with 3 or even 4 competing airline groups (see section 4.2). Prior to the pandemic, no routes had more than 2 competing airline groups. The industry also offers greater connectivity, namely with Bonza launching services on routes that were not previously served (see section 4.1).

Unfortunately for passengers, air travel has become much less reliable. The rates of cancellations and delays have settled at levels well above long-term averages (see section 3.3).

Passengers are also more dissatisfied with the level of customer service provided by airlines. As noted in our submission to the Aviation Green Paper, contacts to the ACCC about airline issues have remained persistently high and above pre-pandemic levels. For the first 9 months of 2023, contacts to the ACCC about airlines were 179% higher than in 2018 and 100% higher than in 2019.⁵ While a contact does not mean a business has acted in breach of the Australian Consumer Law or the CCA, the high level of contacts indicates general dissatisfaction from consumers.

⁵ ACCC, [Aviation Green Paper – ACCC submission in response to the terms of reference](#), November 2023, pp 4, 22–25.

2.2 International travel showing strong growth

The market for international air travel continued to recover in the latter half of 2023. According to the International Air Transport Association (IATA)⁶, international traffic, measured using revenue per passenger-kilometres (RPKs) reached 94.5% of pre-pandemic levels globally in November 2023.⁷ This shows an increase of 26.4% from November 2022.

Australia's international recovery is also evident with seat capacity added in late 2023, particularly on routes to and from China. In November 2023 China Eastern Airlines added 2 new routes to Sydney Airport. This means that there are now 9 airlines with direct flights from Sydney to 14 Chinese cities, offering 85 return services per week.⁸ United Airlines and Cathay Pacific also expanded their capacity in and out of Australia in late 2023, with Cathay Pacific's capacity now at pre-pandemic levels.⁹

Capacity is anticipated to continue to be added to Australian services throughout 2024. Singapore Airlines plans to add 4,700 seats by March 2024. Turkish Airlines has been approved to launch flights to Australia via stopover in Singapore from March 2024 with 3 flights a week, before expanding to 35 services a week to key airports in Australia from 2025.¹⁰ Sichuan Airlines will operate 4 extra flights per week to Melbourne, adding 63,000 seats per year by September 2024.¹¹ Emirates has announced it will be using larger aircraft and adding additional service to routes between Dubai and Brisbane/Perth, and this will represent an additional 6,900 seats per week by December 2024.¹²

More recently, both Jetstar and Virgin Australia have applied to the International Air Services Commission (IASC) for permission to operate services with existing capacity of around 2,500 weekly seats between Indonesia and Australia, to meet demand for holiday travel to and from Bali. The ACCC provided a submission to the IASC which said that Virgin Australia's proposal appeared to be more conducive to promoting competition.¹³ This follows the government's decision in July 2023 to reject Qatar Airways bid to increase capacity to and from Australia.

The interest shown by the major airlines in increasing capacity to destinations such as Bali indicates increasing demand in the short-haul international leisure market. While there are signs of continued strong demand for domestic holiday travel, short-haul destinations may increasingly become a substitute for places such as Cairns or the Sunshine Coast.

Additions to general capacity, along with the fall in jet fuel prices (see section 5.2) appear to be bringing down international airfares, and this is expected to continue. IATA's December 2023 outlook report has forecast that return fares will continue to decrease in real terms in 2024.¹⁴

6 IATA, [Air passenger market analysis](#) [media release], 10 January 2024, accessed 15 January 2024.

7 Measured as Revenue passenger-kilometres in November 2019.

8 Sydney Airport, [China Eastern Airlines fuelling recovery with two new routes](#) [media release], 6 November 2023, accessed 29 January 2024.

9 Gebicki M, ['Will flights be cheaper next year? One factor says yes'](#), 4 December 2023, accessed 2 February 2024.

10 McGuire, A, The Sydney Morning Herald, ['Turkish Airlines to launch flights to Australia in March'](#), 19 January 2024, accessed 25 January 2024.

11 Victoria State Government, [Victoria to benefit from more non-stop flights from China](#) [media release] 30 October 2023, accessed 29 January 2024.

12 de Kretser, A, Financial Review, ['Emirates lifts capacity to Australia as rival Qatar remains stuck'](#), 27 January 2024, accessed 29 January 2024.

13 ACCC, [ACCC submission to International Air Services Commission regarding applications for capacity to and from Indonesia](#) February 2024.

14 IATA, [Global Outlook for Air Transport Report for December 2023](#), accessed 1 February 2024.

2.3 ACCC proposed various reforms in response to Aviation Green Paper

The government has been consulting with stakeholders to develop its long-term policies for the aviation sector through to 2050.

After hearing from stakeholders, the government released its Aviation Green Paper on 7 September 2023.¹⁵ It outlined various areas for future aviation policy reform, including competition, consumer protections, maximising aviation's contribution to net zero and fit-for-purpose agencies and regulations.

The ACCC provided a submission in response to the Aviation Green Paper on 30 November 2023.¹⁶ Our submission calls for the government to implement reforms to the Sydney Airport Demand Management Scheme as soon as possible, to promote airline competition both at Sydney Airport and across the country. Our reform suggestions include making competition an objective for the slot management scheme, making changes to ensure better alignment to the Worldwide Airport Slot Guidelines, overhauling the slot management and compliance systems so they are independent, robust and properly resourced, and providing greater transparency around slot allocation and usage.

Our Aviation Green Paper submission also discusses policy reforms to address airport market power, including enhanced information provision requirements for airports and access to arbitration to address the imbalance of power in commercial negotiations. We also call for a review of the Aeronautical Pricing Principles¹⁷, followed by making them mandatory and enforceable.

In our submission we also advocate for the government to modernise and significantly improve the consumer protection framework in the airline sector. We consider that the introduction of a truly independent ombuds scheme, to replace the ineffective Airline Customer Advocate, and a targeted and fit-for-purpose compensation scheme for delayed and cancelled flights would improve consumer protections in the airline industry.

Lastly, our submission supports the development of robust frameworks that provide transparency around environmental impacts of aviation businesses. This is to ensure consumers' purchasing decisions support businesses to realise the full competitive benefits of their green investments, driving further innovation and investment in support of the transition to net zero.

The government expects to release its Aviation White Paper in mid-2024.

15 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, [Aviation Green Paper](#), 7 September 2023, accessed 15 December 2023.

16 ACCC, [Aviation Green Paper – ACCC submission in response to the terms of reference](#), November 2023.

17 The Aeronautical Pricing Principles are a framework developed by the Department of Infrastructure for establishing prices, service delivery and conduct of commercial negotiations at airports.

2.4 Concerns about pilot shortages continue as regional services disrupted

The industry continues to express concerns about shortages of qualified and experienced pilots to deliver the airlines' desired flight schedules.

According to the government's Skills Priority List, there was a shortage of pilots nationally and in every state and territory in 2023.¹⁸

In November 2023 Rex reported that pilot shortages were continuing to adversely impact on its regional airline operations. Rex stated that the loss of 35% of its Saab 340 pilot workforce over the last 18 months forced it to reduce its regional network by 30%; that is, it reduced frequencies on 14 routes and either suspended services to, or withdraw from, three other destinations.¹⁹

Rex recently announced that it will prolong its regional network reductions due to supply chain issues affecting the provision of engine parts.²⁰

In November 2023 the Qantas Group reported that it faces challenges maintaining a reasonable pipeline of its future pilots.²¹

Also, submissions from the Australian & International Pilots Association and Australian Federation of Air Pilots have both claimed that overseas carriers (particularly from the United States) are diminishing the pool of Australian pilots with generous employment packages to meet their own growing demand for experienced pilots.²²

2.5 ACCC court action against Qantas for allegedly selling tickets to cancelled flights

On 31 August 2023 the ACCC launched court action against Qantas alleging that it continued to sell tickets to cancelled flights and delayed updating ticketholders about cancelled flights in breach of the Australian Consumer Law.

The ACCC alleges that Qantas made false representations and engaged in misleading or deceptive conduct as follows:

- Qantas continued to sell tickets to over 8,000 flights on its website for an average of more than two weeks after it had already cancelled them. The ACCC alleges that Qantas thereby misrepresented to consumers that these flights were proceeding at the scheduled date and time, and in some instances wrongly accepted payment for these flights.
- Qantas delayed communicating the cancellation or rescheduling of over 10,000 flights to ticketholders for an average of about 18 days, thereby misrepresenting to ticketholders that these flights were proceeding at the scheduled date and time.

The alleged conduct relates to Qantas domestic and international flights scheduled to depart between May 2022 and July 2022. This court action followed the ACCC's detailed investigation into Qantas' flight cancellation practices.

18 Jobs and Skills Australia, [2023 Skills Priority List](#), accessed 22 January 2024.

19 Rex, [Submission to Aviation Green Paper](#), November 2023, p 4, accessed 19 January 2024.

20 Rex, *Regional Network Reductions*, [media release], 2 February 2024, accessed 5 February 2024.

21 Qantas Group, [Submission to Aviation Green Paper](#), November 2023, p 109, accessed 19 January 2024.

22 Australian & International Pilots Association, [Submission to Aviation Green Paper](#), November 2023, p 11, accessed 16 January 2024; Australian Federation of Air Pilots, [Submission to Aviation Green Paper](#), November 2023, p 2, accessed 16 January 2024.

The ACCC alleges that Qantas' conduct left thousands of affected customers with less time to make alternative arrangements and may have led to them paying higher prices to fly at a particular time not knowing that flight had already been cancelled.

Qantas denies that it made the representations alleged by the ACCC in its Concise Statement or that it breached the relevant parts of the Australian Consumer Law.

The Court has not made a final decision in this case. The case is listed for a further case management conference on 28 February 2024.

2.6 Bonza grows fleet and route network after cancellation setbacks

In February 2024 low-cost carrier Bonza completed a milestone first year of scheduled passenger services. It has flown more than 750,000 domestic passengers following a significant network roll out across five states and territories.²³

Bonza's current route map includes bases at the Sunshine Coast, Melbourne (Tullamarine) and the Gold Coast and 35 routes, 33 of which include regional locations, with a continued focus on unserved and underserved routes.

Bonza implemented changes to its schedule from 1 August 2023 to improve its schedule reliability and revenue. It consolidated its network by exiting 5 routes and reduced services on other routes due to insufficient demand.²⁴ Bonza diverted some of this spare capacity to its better performing existing routes and built in additional spare capacity within its fleet to deploy in the event of unexpected cancellations, such as from unscheduled aircraft maintenance due to bird strikes as occurred mid-year.²⁵ It achieved its schedule reliability goals with minimal cancellations from August – October 2023.

Bonza added Tasmania and the Northern Territory to its network for the first time when it added Gold Coast – Launceston services in late November and Alice Springs – Melbourne, and Sunshine Coast to Darwin in subsequent weeks.

In line with its leisure markets strategy, on 1 August 2023 Bonza revealed Gold Coast Airport as its third base. Bonza foreshadowed that it will operate 2 aircraft on 11 routes from that base in time for the summer holidays.²⁶ Bonza's plan was contingent on regulatory approvals to initially wet lease 2 737-Max 8 aircraft registered by Canadian carrier Flair (owned by Bonza's owners 777 Partners).

The regulatory process took longer than Bonza anticipated, forcing the carrier to cancel flights on the announced Gold Coast schedule while it awaited CASA's approval. On 19 December 2023 CASA announced the approval has been granted after Bonza demonstrated it could safely integrate the Canadian-registered Flair aircraft and crew members into its operation. The 2 additional aircraft commenced flights in and out of the Gold Coast on 19 December 2023 as Bonza scaled up its operations on its new routes, but services to Bundaberg, Darwin and Gladstone are delayed until March 2024.

Bonza's expansion has incrementally helped more leisure passengers to afford air travel and offers the convenience of direct connectivity on its services to regional and leisure destinations. On

23 Bonza, [Bonza marks milestone of first year making air travel more affordable & saving Aussies millions](#) [media release], 31 January 2024, accessed 2 February 2024.

24 The discontinued routes are: Sunshine Coast to Coffs Harbour, Sunshine Coast to Port Macquarie, Sunshine Coast to Tamworth, Cairns to Mackay and Toowoomba Wellcamp to Whitsunday Coast.

25 Visontay, E, The Guardian, ['Bonza airline to axe five regional Australia routes due to low patronage'](#), 13 July 2023, accessed 15 January 2024.

26 Bonza, [Bonza reveals its third base as Gold Coast Airport](#) [media release], 1 August 2023, accessed 15 January 2024.

contested routes such as Melbourne – Gold Coast, which Bonza entered on 16 November 2023, consumers have started to benefit from some lower airfares driven by price competition, particularly from Virgin Australia.²⁷

However, Bonza’s ability to influence the competitive tension in the broader domestic airline market is limited due to its minority market share of around 2%, small fleet size and its route map that excludes the busiest domestic sectors such as the golden triangle.

Also, it deploys its small fleet on contested routes (Gold Coast – Melbourne, Melbourne – Mildura and Mackay – Sunshine Coast) at a significantly lower frequency and lower capacity than its rivals. For example, in the week starting 5 February 2024, on Gold Coast – Melbourne, Bonza was scheduled to operate only 4 weekly return services on similar sized narrowbody jets to Virgin Australia’s 55 return services, Jetstar’s 57 return services, Qantas 11 return services and Rex’s 7 return services.

Bonza has revealed further growth plans for this year, including expanding to at least 10 aircraft by the end of 2024, a fourth base and extended reach into more states and territories.²⁸ This may result in Bonza facing direct competition from rival airlines on more routes.

However, until Bonza can expand further and stimulate greater demand for its services in the longer term, the benefits of price competition, additional airline choice and improved connectivity will still only be realised by a small proportion of passengers.

Fair and sustained competition between multiple airlines is necessary for consumers to enjoy lower fares, better service quality and choice of airlines. As previously stated, the ACCC will continue to monitor whether Bonza’s rivals’ responses to the new competition complies with competition laws.

2.7 Virgin Australia and Link Airways announce codeshare deal for regional areas

In January 2024 Virgin Australia and Link Airways announced a new codeshare partnership which is expected to increase the regional services that can be booked through Virgin Australia by about 45%.

The partnership allows Virgin Australia to sell seats on 17 regional services operated by Link Airways on its existing network connecting Brisbane, Sydney, Melbourne and Canberra with regional destinations; the equivalent of 90 flights per week.

Virgin Australia customers will now be able to travel to 42 Australian destinations on a single booking with through check-in and baggage transfer.²⁹

Link Airways already operates the Canberra – Sydney route on behalf of Virgin Australia through a wet-lease arrangement. Link Airways’ turboprop fleet consists of several Saab 340B aircraft (34 passenger seats) supported by Metro 23 aircraft (19 passenger seats).³⁰

27 de Kretser, A, Financial Review, ‘[Bonza given green light to fly to Gold Coast as fares crash](#)’, 19 December 2023, accessed 22 January 2024.

28 Bonza, [Bonza has today launched its third and latest base at Gold Coast Airport](#) [media release], 15 November 2023, accessed 15 January 2024.

29 Virgin Australia, [Virgin Australia set to increase regional network by nearly half in significant partnership expansion with Link Airways](#), [media release], 18 January 2024, accessed 19 January 2024.

30 Link Airways, [Our Fleet](#), accessed 19 January 2024.

2.8 New customer offerings from airlines

Airlines have introduced new customer offerings to improve travel experience. Virgin Australia and Qantas have established baggage tracking through their respective mobile applications (apps), while Rex now offers a limited loyalty scheme arrangement.

Following a pilot run of the program in May, Virgin Australia permanently introduced its app-based baggage tracking system in September to almost 70% of its domestic flights.³¹ The tool has since been expanded to their entire domestic and international network.³² Although many international airlines offer a form of baggage tracking, Virgin Australia was the first domestic airline to introduce the initiative in Australia.³³ Passengers receive notifications on their smartphone via the Virgin Australia app when their luggage has passed through a handling checkpoint. This includes when it is checked in and which baggage carousel it can be collected from.

Qantas followed Virgin Australia's initiative in December by introducing baggage tracking through the Qantas app. The initiative applies to 60 direct routes between ten major domestic cities. Qantas plans on expanding the offering to other domestic routes as well as international flights in 2024.³⁴

Rex began a staggered rollout of its loyalty program for frequent flyers in October 2023. Passengers that registered for the program had the ability to earn 'Rex Flyer' points and status points across both Rex's domestic and regional networks.³⁵ In December Rex enabled members to use their accumulated points to redeem flights. The Rex Flyer program has a unique component where all seats that go unsold will become available at the cheapest reward redemption rate progressively from 48 hours before a scheduled departure. Like other loyalty programs, a tier level is accorded to members based on the number of status points collected. Rex has also planned for the gradual rollout of the program to be accompanied by new airport lounges for Adelaide, Brisbane, Melbourne and Sydney.

2.9 Airservices Australia is proposing to increase charges for airlines

Airservices is Australia's only declared provider of air traffic control and aviation rescue and fire-fighting services. Airservices is proposing 4 price increases between April 2024 and January 2026, which would collectively increase its weighted average prices by 19% (in nominal terms).

The ACCC is required to assess Airservices' proposed price increases under Part VIIA of the CCA. In assessing a price notification, the ACCC may decide to:

- not object to the notified increase
- not object to an increase lower than that proposed
- or object to the notified increase.

31 Virgin Australia, [Virgin Australia wheels out Aussie airline-first baggage tracking tool](#) [media release], 28 August 2023, accessed 8 January 2024.

32 Virgin Australia, [Virgin Australia expands Aussie-first baggage tracking tool across entire domestic and international network*](#) [media release], 31 January 2024, accessed 31 January 2024.

33 Virgin Australia, [Virgin Australia wheels out Aussie airline-first baggage tracking tool](#) [media release], 28 August 2023, accessed 8 January 2024.

34 Flynn, D, Executive Traveller, ['Qantas launches app-based baggage tracking'](#), 5 December 2023, accessed 8 January 2024.

35 Rex Airlines, [Rex Flyer has Landed](#) [media release], 2 October 2023, accessed 14 January 2024.

The ACCC does not approve price increases. Airservices may increase prices only if the Minister approves of the proposed prices or does not disapprove of the proposed prices within 30 days of receiving the notification.

According to figures provided by Airservices, airlines flying a Boeing 737-800 from Melbourne to Brisbane currently incur a per passenger cost of about \$13 for its services. Under the first proposed price change, the per passenger cost would increase to approximately \$14.³⁶

Similarly, to fly an Airbus A380 from Singapore to Sydney the current per passenger cost incurred by airlines is about \$35. Under the first proposed price change, the per passenger cost would increase to approximately \$37.

On 30 November 2023 the ACCC published an issues paper, seeking stakeholder views on Airservices' proposal. The ACCC will publish submissions from stakeholders, followed by its views on Airservices draft proposal in the coming months.

³⁶ Airservices draft price notification submitted to the ACCC proposes an initial price increase in April 2024. The ACCC considers that this timing does not appear achievable based on the time required for the ACCC's assessment, as well as the required consultation with the Minister.

3. Industry activity and reliability of performance

This chapter analyses domestic airline passenger numbers, seat capacity, airline cancellation rates, as well as on-time performance rates (arrivals).

Data used to inform this analysis has been supplied to the ACCC on a monthly basis up to December 2023, from Bonza, the Qantas Group (comprising Qantas and Jetstar), Rex, and Virgin Australia (including Tigerair until March 2020).

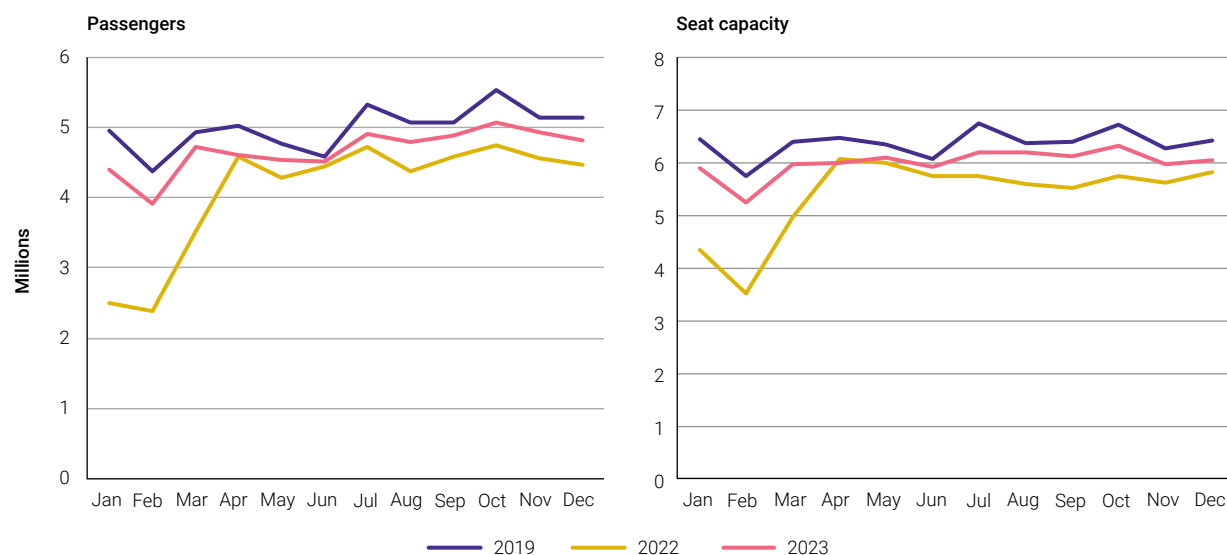
Additionally, section 3.3 includes analysis of cancellation rates and on-time performance using Bureau of Infrastructure and Transport Research Economics (BITRE) data up to December 2023.

3.1 Passenger numbers and seat capacity levels have stabilised

The domestic airline industry carried 4.8 million passengers in December 2023, representing an increase of 344,000 passengers (or 7.7%) from December 2022. This reflects the continued strong demand for leisure travel beyond the pent-up demand to travel post-pandemic during 2022.

Figure 1 shows a decrease in activity levels following the seasonal peak of school holidays in October. While many people fly at Christmas time for leisure, this is typically offset by fewer corporate passengers.

Figure 1 Australian domestic air services – January 2019 to December 2023

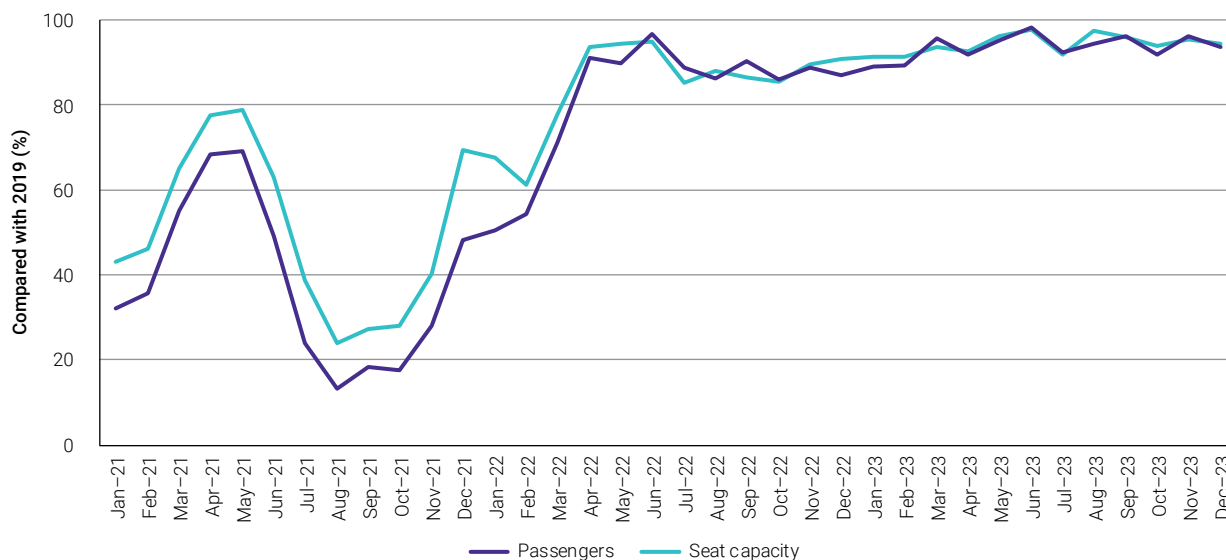


Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.

The airlines flew 6.0 million seats in December 2023, which was an increase of around 235,000 seats (or 4%) from December 2022. While passenger numbers declined in the later part of 2023, domestic seat capacity increased in December. The recovery in both passenger and capacity numbers continue to remain 6% below pre-pandemic levels for the sector.

Figure 2 demonstrates the passenger and capacity figures as a proportion of their respective 2019 monthly levels. Recovery of the sector peaked in June 2023 with passenger and capacity both at 98% of their pre-pandemic (2019) levels. However, at an aggregate level passenger and capacity figures appear to be stabilising around 94% of their 2019 levels.

Figure 2 Passengers and seat capacity as a proportion of 2019 levels – January 2021 to December 2023



Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.

There are a number of reasons why recovery has plateaued. Apart from reduced demand for corporate travel as meetings have moved online, airlines have also exercised more discretion over adding seat capacity, resulting in changes to the frequency and range of routes provided, as the sector faces ongoing challenges such as labour force shortages (see section 2.4).

A decline in passenger numbers combined with an increase in capacity has impacted on the load factor (a measure of the proportion of seats that were filled) dropping 3% in December to 79.6%. The load factor in December 2023 was 2.7% higher than that in December 2022.

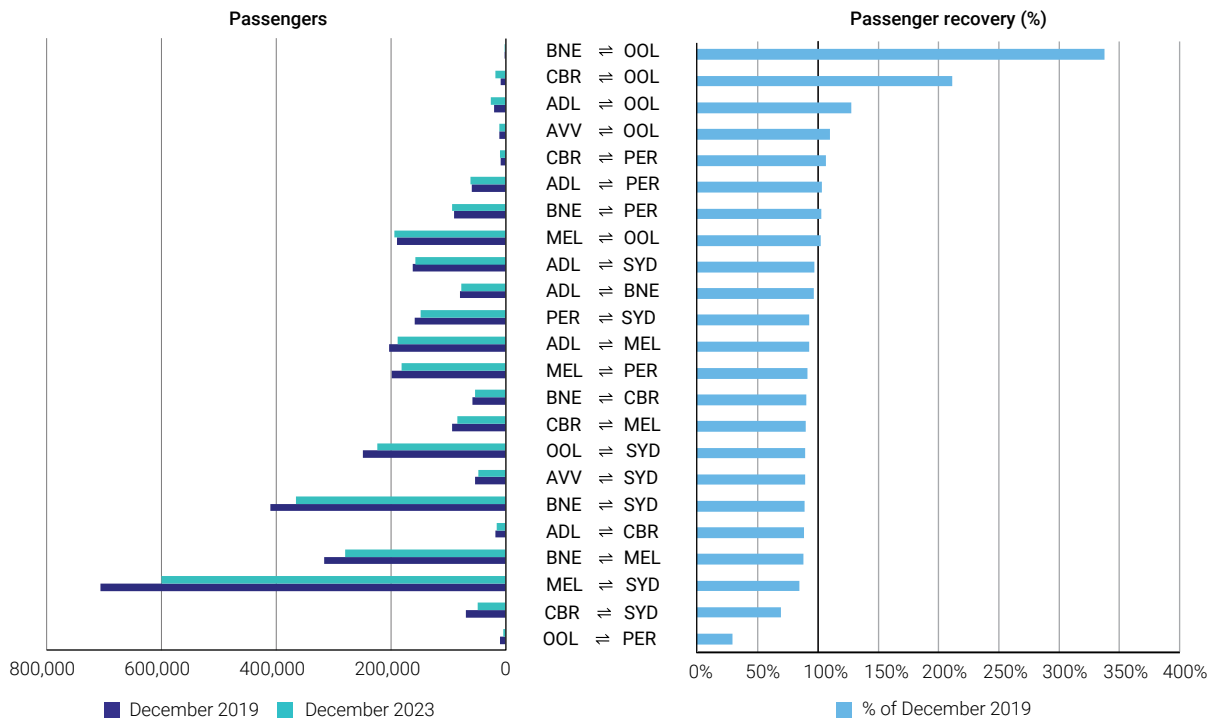
3.2 Route recovery reflects shift from corporate to leisure travel

As noted in section 3.1, the post-pandemic period has been characterised by a lag in corporate travel that has been offset by an increase in holiday travel. This trend can be observed in figure 3, which ranks the routes connecting larger cities by the degree to which passenger numbers have recovered to pre-pandemic levels. Holiday destinations such as the Gold Coast and Perth were amongst the 8 routes³⁷ that exceeded 100% of pre-pandemic capacity levels.

In comparison, the 3 largest routes that typically carry a higher proportion of corporate travellers, that is those routes connecting Brisbane, Melbourne and Sydney continue to lag in passenger volume recovery. Melbourne – Sydney continues to be the worst performing of the 3 routes, with passenger numbers in December 2023 equivalent to 85% of pre-pandemic levels.

³⁷ The Brisbane to Gold Coast route comprises of relatively small numbers (5 flights), affecting the scale of increase observed in Figure 3.

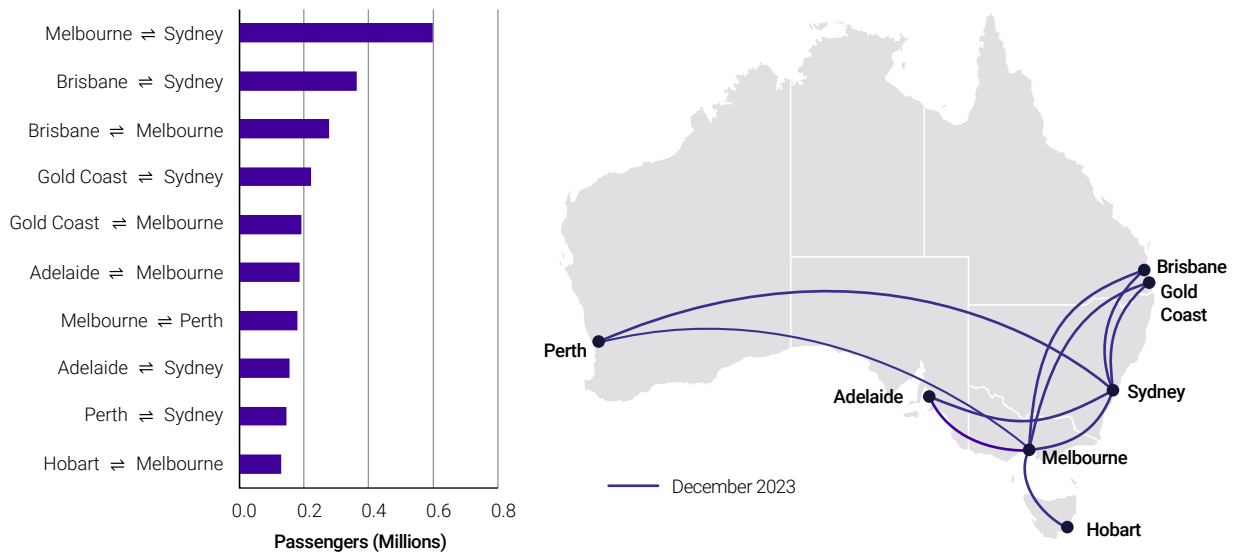
Figure 3 Passengers on routes connecting larger cities – December 2019 compared to December 2023



Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.

Figure 4 shows the 10 busiest routes in Australia in December 2023 by passenger volume. The top 10 routes are the same from December 2019. Melbourne – Sydney continues to be the busiest route with over 598,000 passengers in December 2023, representing 12% of all domestic passengers.

Figure 4 Busiest routes by monthly passengers – December 2023



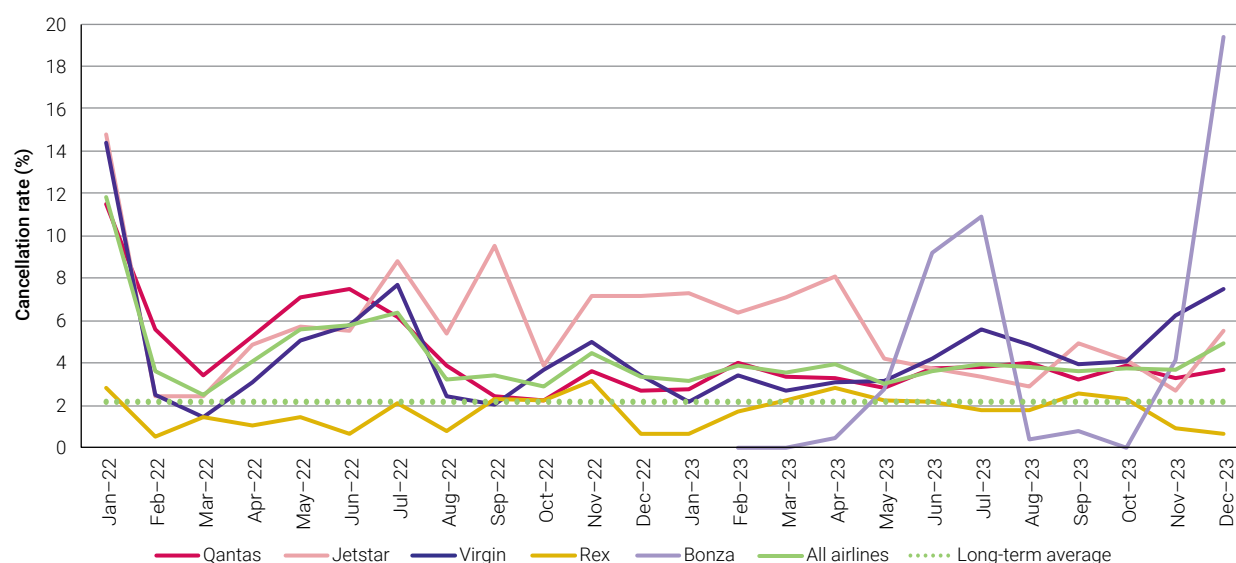
Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.

3.3 Rates of cancellations and delays continue to exceed long-term industry averages

The domestic industry continues to struggle to offer reliable services, with cancellations and delays consistently exceeding the long-term industry average.

Figure 5 shows that the industry cancelled 5.0% of flights in December 2023 (over 2,200 cancelled flights), more than double the industry long-term average of 2.2%. This is also 1.6% higher than the cancellation rate experienced by the industry a year earlier. In this data set, a flight is regarded as a cancellation if it is cancelled or rescheduled less than 7 days prior to its scheduled departure time.

Figure 5 Airline cancellation rates – January 2022 to December 2023



Source: BITRE, On-time performance time series – December 2023; data collected by the ACCC from Bonza. Qantas figures include QantasLink and Virgin Australia figures include VARA.

Note: A flight is regarded as a cancellation if it is cancelled or rescheduled less than 7 days prior to its scheduled departure time.

Major domestic routes have continued to perform poorly when compared to the industry average. In December 2023 cancellations were relatively high on flights from Sydney to Melbourne (9.4%), Brisbane to Sydney (6.7%), and Brisbane to Melbourne (6.3%).

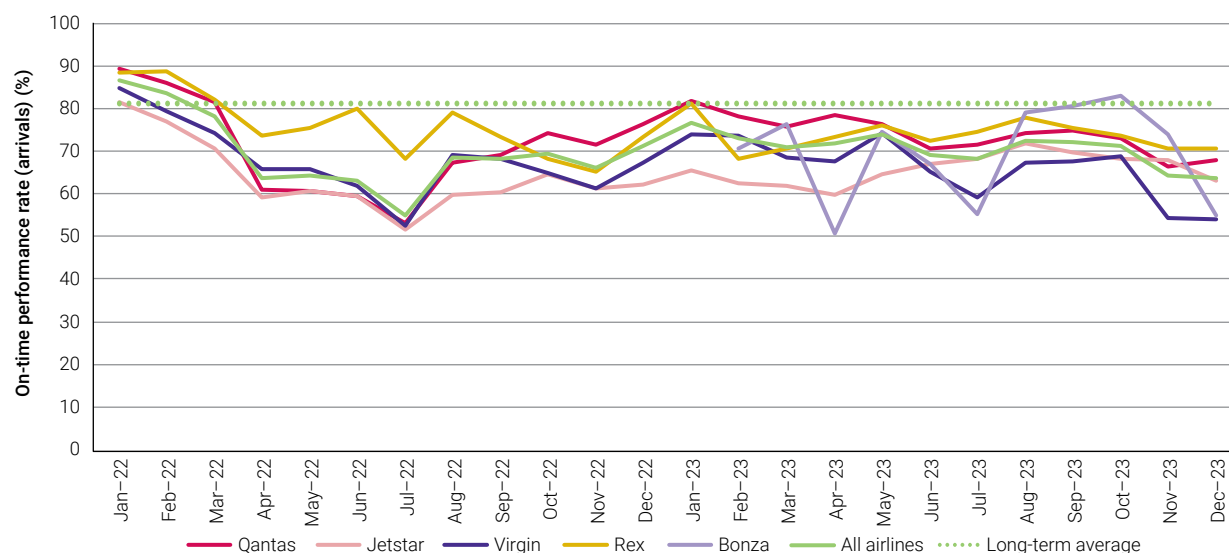
Bonza recorded the highest cancellation rate during December at 19.4%, followed by Virgin Australia who recorded a third consecutive monthly increase to reach 7.5%. Jetstar cancelled 5.5% of flights for the month (2.8% higher than November 2023), while Qantas cancelled 3.7%. Rex recorded the lowest cancellation rate amongst the airlines in December at 0.6%.

Figure 5 shows that Bonza had highly variable performance throughout 2023 with respect to cancellations. The airline demonstrated that it could effectively service its expanding network with its performance during the August–October period. During that time, Bonza recorded an average cancellation rate of 0.4%, which was better than any of its competitors and well below the industry average of 5.0%. However, cancellations spiked significantly between June and July 2023 and then again in December 2023. The first was primarily due to inadequate fleet coverage to address operational issues such as unscheduled aircraft maintenance as occurred due to bird strikes. This prompted scheduling changes to build in greater resilience. The spike in December related to Bonza underestimating how long it would take to secure regulatory approvals to operate aircraft sourced from Canada.

Consistent with the high cancellation rates observed over the past 12 months is the reduced rate of on-time performance. With the odd exception, on-time performance for each of the airline groups has remained consistently below the long-term average over that period. Together, these factors indicate poor service reliability.

Figure 6 shows that the industry reported more than 15,000 flights arriving more than 15 minutes late. This represents 63.6% flights arriving on-time in December and compares to the industry long-term average of 81.1%. On-time arrival rates have substantially declined to December 2023, decreasing from 71.1% in December 2022.

Figure 6 Airline on-time performance rates (arrivals) – January 2022 to December 2023



Source: BITRE, On-time performance time series – December 2023; data collected by the ACCC from Bonza. Qantas figures include QantasLink and Virgin Australia figures include VARA.

Note: A flight arrival is considered on-time if it arrives within 15 minutes of the scheduled arrival time shown on the airline’s schedule.

Virgin Australia’s on-time performance declined significantly in the last 3 months of 2023, with the lowest on-time arrival rate in December at 54%. In January 2024 Virgin Australia said that its poor service reliability towards the end of the year was due to severe weather along the east coast, crew resourcing, aircraft maintenance, and air traffic controller shortages.³⁸

After leading all airlines in on-time performance for a few months, Bonza reported a significant decline in December 2023 with just 55% of flights arriving on time. Rex was the best on-time performer reporting 70.6%, followed by Qantas at 67.8%, and Jetstar at 63%.

Factors contributing to poor service reliability and within airlines’ control, include efforts to manage systemic issues associated with the COVID-19 pandemic, pilot shortages, pilot training bottlenecks and some supply chain disruptions. In addition, air traffic control staff absences also remain a factor contributing to poor reliability. Recent data published by Airservices showed it was responsible for 6% of flight cancellations and 16% of total ground delays in December.³⁹ Airlines have said that these figures do not reflect the flow-on effects of these disruptions, especially at important hub airports such as Sydney. A single disrupted flight can often have an impact that cascades down the schedule to another 2–3 flights due to aircraft and crew arriving late or not at all.

Airservices acknowledged that staff availability challenges contributed to the recent decline in network performance in December, particularly in Brisbane. Of the total ground delay minutes

38 Ironside, R. The Australian, [Call for inquiry into poor flight reliability](#), accessed 2 February 2024.

39 Airservices Australia, [December Australian Aviation Network Overview](#), p 16, accessed 24 January 2024.

at Brisbane Airport in December, 72% were attributable to Airservices while at Sydney Airport it was 21%.⁴⁰ Airservices said it is working to increase staffing and improve internal business processes on a national level, with specific and additional measures being deployed at its Brisbane Centre.⁴¹

The industry was also impacted by some significant weather disruptions during December 2023, namely Cyclone Jasper in northern Queensland, and some severe storm activity across the East Coast. The performance of routes to and from Cairns were particularly impacted with severe flooding caused by the cyclone, with the airport forced to close for several days.

40 Airservices Australia, [Air Traffic Management \(ATM\) performance report – December 2023](#), accessed 30 January 2024.

41 Airservices Australia, [December Australian Aviation Network Overview](#), p 2, accessed 24 January 2024.

4. Competition and connectivity

This chapter analyses domestic airline competition, including the number of routes operated by the 4 airline groups and domestic passenger market share by airline.

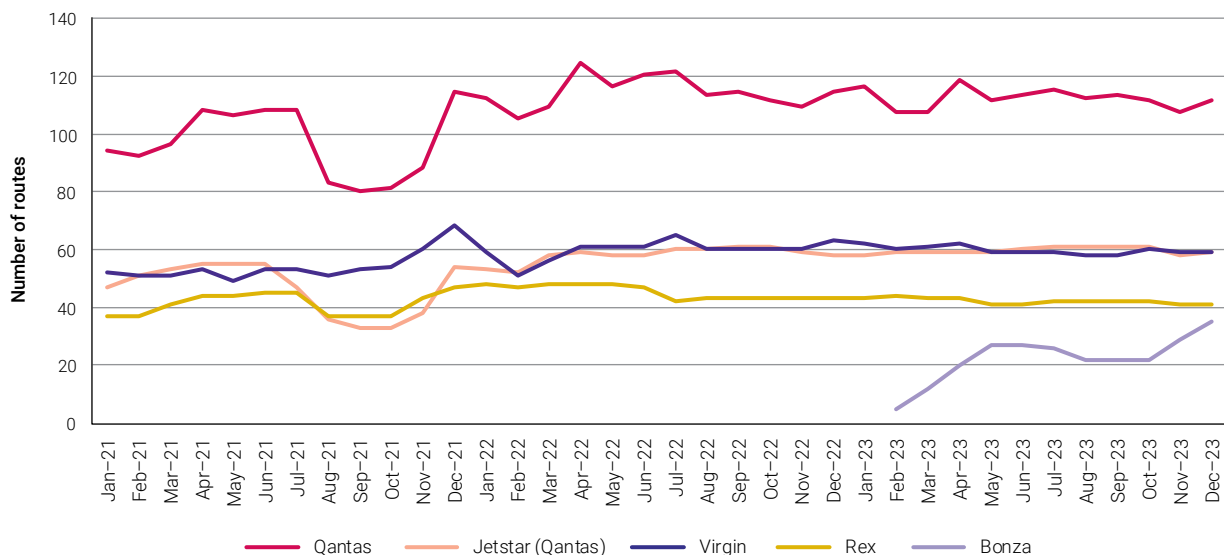
As with chapter 3, airlines have supplied the ACCC with monthly data up to December 2023 to inform this analysis from Bonza (from February 2023), the Qantas Group (comprising Qantas and Jetstar), Rex, and Virgin Australia.

4.1 Bonza expands Australia’s domestic route network

As of December 2023 there were a total of 177 routes operated in Australia, up from 153 routes in December 2022. Bonza commenced its service in February 2023 with 5 routes, reached 27 routes in May 2023, then discontinued 5 routes from August 2023. However, Bonza had quickly expanded onto another 13 routes since November 2023, making the total number of routes reach 35 as of December 2023, slightly lower than Rex’s 41 routes. Of these 35 routes, 24 were solely operated by Bonza, improving connectivity for domestic passengers, particularly to and from regional Australia.

Figure 7 shows that since December 2022 the number of routes operated by each of Qantas, Jetstar, Virgin and Rex have been relatively stable. Although there was a little fluctuation for Qantas routes, as of December 2023, Qantas operated 111 routes, followed by Jetstar (Qantas) and Virgin with 59 routes each.

Figure 7 Number of domestic routes operated by airlines – January 2021 to December 2023



Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.

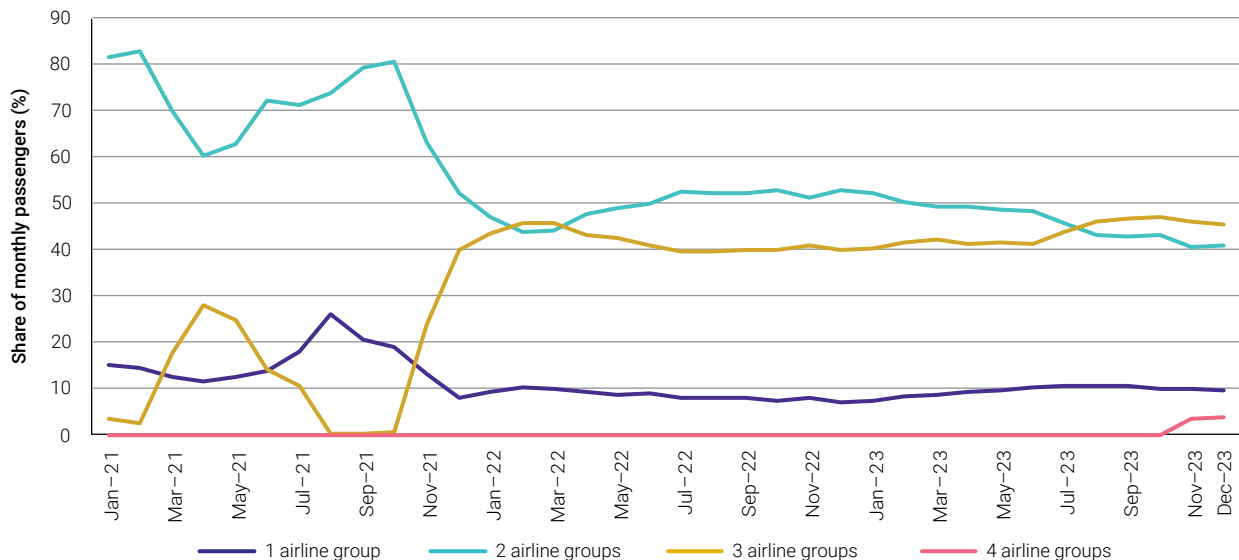
4.2 Australia has 4 airline groups competing on a domestic route for the first time

The airlines that contribute data to this report belong to 4 airline groups: Bonza, Qantas Group, Rex and Virgin Australia. The 2 airlines within the Qantas Group – Qantas and Jetstar – are not considered to be in competition with each other.

Consumers are most likely to benefit through better services and more attractive pricing on routes where there are more competing airline groups.

Figure 8 shows that in December 2023, there were around 10% of passengers who flew on routes operated by 1 airline group, 41% on routes operated by 2 airline groups and 45% who flew on routes operated by 3 airline groups. Since Bonza started offering the service in November 2023, 4 airline groups have competed on the Gold Coast – Melbourne route which carried about 4% of monthly domestic passengers. This is the first time the industry has had 4 airline groups competing on a single route.

Figure 8 Share of passengers on routes serviced by 1, 2, 3 and 4 airline groups – January 2021 to December 2023



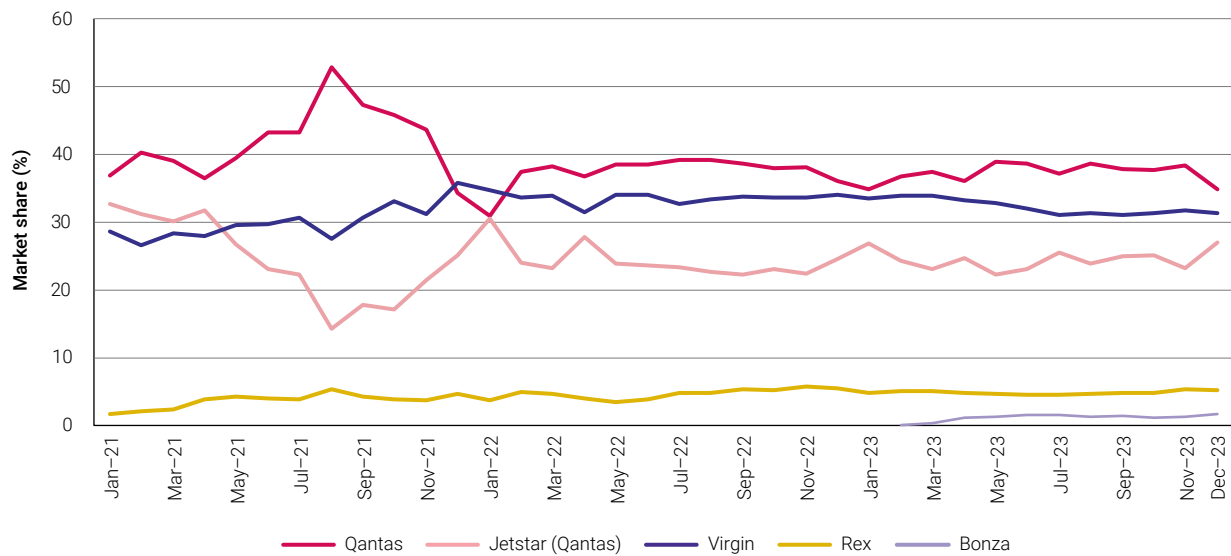
Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.
 Note: Airline groups comprise Qantas Group (including Jetstar), Virgin Australia, Rex and Bonza.

This means that in December 2023, around 1 in 2 passengers (49%) flew on a route with either 3 or 4 airline groups, compared to 2019 when there were no routes with more than 3 competing airline groups. This began to change in early 2021 when regional airline Rex acquired jet aircraft and commenced operations on intercity routes in competition with Qantas Group and Virgin Australia.

4.3 Despite some new competition, the market remains highly concentrated

Figure 9 shows that Jetstar’s market share increased by 1.9% between October and December 2023 to 27.0%. This reflects the stronger demand for the low-cost carrier’s services for holiday travel into the summer months and school holidays. This contrasts with Qantas’ market share which decreased by 2.8% over the same period to 34.8%, reflecting lower corporate travel demand.

Figure 9 Airline passenger market shares across all domestic routes – January 2021 to December 2023



Source: Data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.

Virgin Australia’s market share remained relatively stable over the last 6 months of 2023, at 31.2% in December. In December Virgin Australia flew the highest number of passengers on routes connecting larger cities, after being overtaken by Qantas between June and November 2023. Rex’s market share also remained relatively stable, with 5.3% of the market in December. Bonza flew 1.7% of domestic passengers in December 2023.

Despite the expansion of Rex and the recent entry of Bonza, the passenger market share composition remains very highly concentrated. The Qantas Group (comprising Qantas and Jetstar) carried 61.8% of passengers in December 2023, which is 1.3% higher than December 2022.

5. Airfares

This chapter analyses trends in domestic airfares and the price of jet fuel.

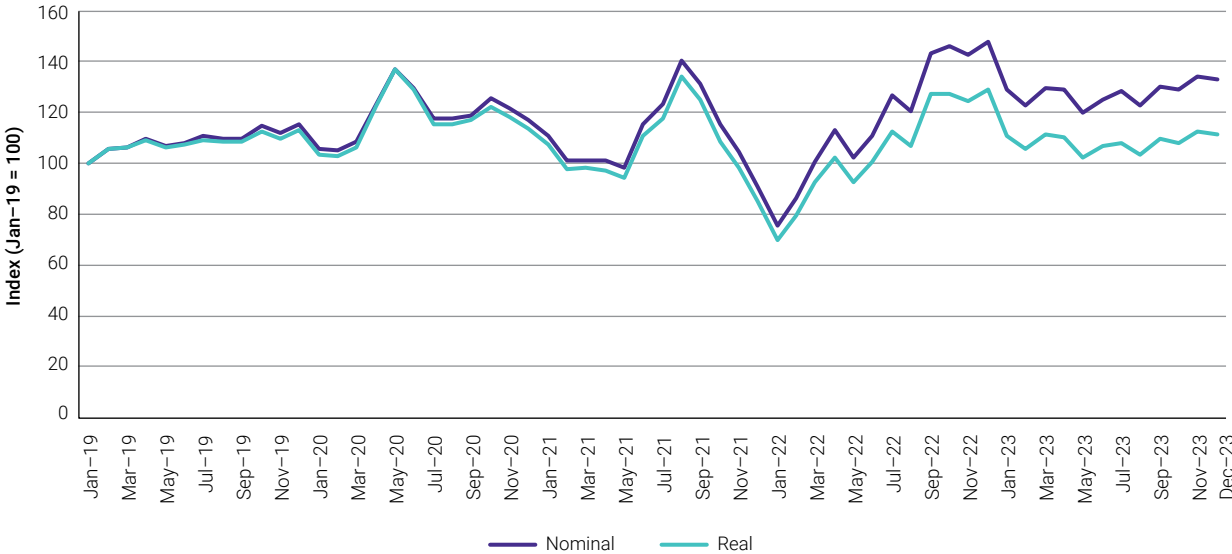
The domestic airlines namely Bonza (from February 2023), the Qantas Group (comprising Qantas and Jetstar), Rex, and Virgin Australia have supplied the ACCC with monthly data up to December 2023 to inform our fare revenue analysis in section 5.1. This section also draws on BITRE airfare data up to January 2024.

The jet fuel data in section 5.2 is current to December 2023.

5.1 Airfares are lower than they were in late 2022

Average revenue per passenger reflects movements in airfares across all types of domestic tickets and fare classes. Figure 10 shows that average revenue per passenger was lower in 2023 than it was for the latter half of 2022 when there was very strong demand for travel but constrained capacity. This fall is consistent with a decline in the price of jet fuel in recent months (see figure 12), additional seat capacity as well as the easing of pent-up demand, particularly for holiday travel. Following a peak in December 2022, average revenue fell by 13.4% in real terms over the year to December 2023.

Figure 10 Index of average fare revenue per passenger – January 2019 to December 2023



Source: ACCC calculations using data from the ABS and data collected by the ACCC from Qantas, Jetstar, Virgin Australia, Rex and Bonza.
 Note: The average revenue per passenger includes both economy and business fare revenue. It excludes data associated with ancillaries, such as baggage fees, fees for seat selection, food and drink sold on board. Data has been adjusted for inflation using ABS CPI quarterly data up to December 2023.

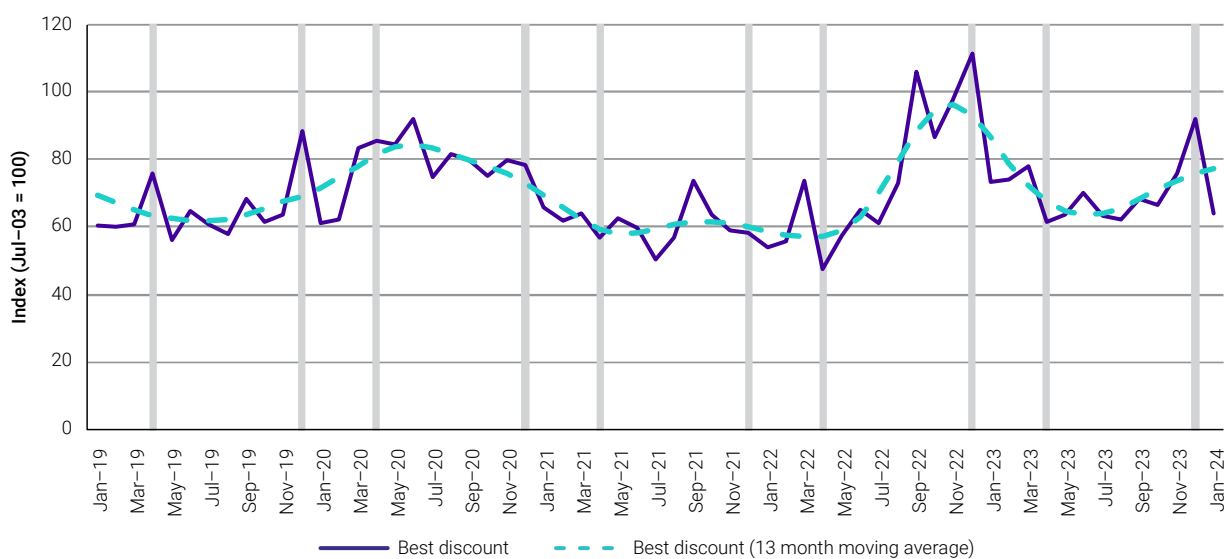
Much of the analysis in this section is based on changes in inflation-adjusted real prices. While in real terms, average revenue per passenger in December 2023 was 1.4% lower than pre-pandemic levels (December 2019), it was 15.5% higher in nominal terms. Real prices measure reflects how airfares are changing relative to prices of other goods and services in the economy. While this is the standard approach to analysing price movements over time, the high rate of inflation over the last year means there has been a growing disparity between movements in real prices and movements in the nominal prices actually paid by consumers. The higher the inflation rate, the greater the difference in the

measure of real prices compared to the measure of nominal prices. This trend can be observed by the gap between nominal and real prices, particularly between September 2022 and December 2023 in figure 10.

Price indices calculated by the BITRE have also shown a recent fall in the real price of domestic airfares. BITRE’s indices are based on the cheapest available fare and therefore may not represent price movements more broadly.

Figure 11 shows the price index of best discount economy airfares (measured in real terms) spiked in December 2023. Discounted airfares are typically at their highest during times of school holidays, in particular the Christmas period. In January 2024, the price index was 12.5% less than it was in January 2023, reflecting the general fall in airfares over that period. Despite this fall, best discount economy airfares have not yet fallen to pre-pandemic levels. The real price index of best discount economy airfares remained 4.5% higher in January 2024 than it was in January 2020.

Figure 11 Real price index of the best discount economy airfares – January 2019 to January 2024



Source: BITRE Domestic Air Fares (Best Discount) index (cheapest available economy airfares). The price index is weighted across the 70 busiest domestic routes.
 Note: Grey bars indicate December and Easter holiday periods. Airfares recorded between April 2021–February 2022 may be impacted by the government’s half-price ticket program (TANS).

The fall in best discount economy airfares from January 2023 to January 2024 was observed across many routes collected by BITRE. Airfares on some routes have reduced significantly more than others since January 2023. In particular, the cheapest return fares for Adelaide – Gold Coast decreased to \$256 (down 54%) in January 2024. Similarly, several routes that have also decreased over the same period include Launceston – Melbourne (down 40% to \$107) and Perth – Sydney (down 34% to \$593).

BITRE also calculates price indices for restricted economy and business airfares, which as noted above is derived by the lowest available fare observed by BITRE. Between January 2023 and January 2024 the price index for business airfares decreased in real terms by 5.9%, while it increased by 4.3% for restricted economy airfares.

5.2 Jet fuel prices have fallen

Figure 12 shows that the price of jet fuel declined to \$149.9 per barrel in December 2023. This is a fall of almost half in real terms since the price of jet fuel hit a record high of \$265.6 per barrel in June 2022, following Russia’s invasion of Ukraine. The refining margin between jet fuel and Brent crude oil prices has fallen by almost half from \$61.0 per barrel in August 2023 to \$33.7 in December 2023.

Given the material impact that jet fuel prices have on airfares, the downward trend may enable the airlines to further reduce airfares in the future.

Figure 12 Real jet fuel and Brent crude oil prices – January 2019 to December 2023



Source: ACCC calculations using ABS, RBA and US EIA data.

Note: US Gulf Coast Jet Fuel prices converted into current Australian dollar terms. The price an airline pays for jet fuel will also vary depending on the ports to which its aircraft operate and the respective region-specific jet fuel benchmarks. The latest month of data is to December 2023.

