



11 November 2024

Mr Tony Hilton
Director, Competition Exemptions
Australian Competition & Consumer Commission

Email: exemptions@accc.gov.au

Dear Mr Hilton,

Re: Virgin Australia and Qatar Airways application for authorisation AA1000679

The Australian Federation of Airline Pilots (AFAP) appreciates the opportunity to make this submission to the ACCC regarding an application for an authorisation that would give the Applicants legal protection from competition laws to engage in cooperative conduct under an integrated alliance ("Application").

The AFAP represents the interests of over 6000 professional pilots in Australia and over 800 Virgin Australia pilots. Our submission focuses on the public benefit of this Application by seeking that the ACCC safeguard opportunities for Australian pilots and maximise the number of Australian jobs created.

The AFAP supports the Application and the associated wet lease arrangement, for the reasons outlined below, for flying routes between Australia and Doha ("wet lease") subject to a condition that by the end of 3 years from the commencement of the wet lease flying ("3 year period") Virgin Australia will confirm its intention to either:

- i. commit to transition to a dry lease arrangement by the completion of the 5 year period; or
- ii. cease the wet lease flying at the end of the 3 year period.

At the completion of the 5 year period the flying would continue only if performed with Virgin Australia pilots.

Wet Lease Arrangement and Its Implications

The wet lease arrangement, which would allow Qatar Airways to operate certain Virgin Australia routes (available as an Australian airline) to Doha using Qatar aircraft and crew, is the AFAP's primary concern with the Application.

The wet lease is an appropriate tool in the short term to establish the operations before transitioning to the operation of these services by Virgin Australia pilots based in Australia.

However, the wet lease is outsourcing air rights reserved for Australian airlines to foreign owned airframes utilising overseas labour. If indefinite, this has the potential to undermine public benefits from Australian airlines international air rights by limiting the number of jobs created for pilots and other employees in the aviation sector in Australia.

Our concerns about ensuring that this arrangement does not undermine Australian pilot jobs or the local airline industry in the long term would be mitigated by limiting the wet lease to a 5 year period with transition to dry lease determined at the end of the 3 year period.

Given that Virgin Australia does not currently operate a wide body fleet internationally, the 3 year period will allow a sufficient timeframe to assess the viability of the operation utilising Virgin Australia's own crew and ultimately fleet.

Further, this limit ensures that the wet lease is a transitional measure that supports Virgin Australia's growth into international operations while maintaining a long term goal of

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developing Australian based operations and for delivering economic benefits to Australian workers.

Addressing Concerns About Job Security

The wet lease arrangement would need to be contained to a maximum period of 5 years to allow Virgin Australia to transition to Australian based international operations. Any longer than this, through a renewal at that time, would encourage other airlines to enter into similar wet lease arrangements to the detriment of Australian based aviation jobs. With the right constraints, the AFAP believes that it creates an opportunity for job growth and career development for Australian pilots.

Without this deal, Virgin Australia would struggle to compete internationally, limiting career advancement and job security within the airline and not entering the international market in their own right at this time. By leveraging Qatar Airways' resources and expertise, Virgin Australia can grow its operations more rapidly, eventually leading to greater demand for Australian pilots as the airline scales up its fleet and operations.

The option for pilots to be seconded to Qatar Airways also presents a valuable opportunity for professional development, which will further benefit Virgin Australia when these pilots return with enhanced skills and experience. These pilots will need to be replaced in the Virgin Australia domestic operation as well, creating growth in Australian based pilot numbers. The arrangement ensures that the long term demand for pilots will increase, not decrease, under the partnership.

Conditions

The AFAP supports the Application with the condition of a commitment at the end of the 3 year period to either transition to dry lease by 5 years, or its cessation after the 3 year period. Further the AFAP supports the interim approval of the Application whilst consideration is given to the wet lease conditions; this will ensure the operations can commence enhancing competition and boosting Virgin Australia's international competitiveness, while ensuring it delivers long term opportunities for employees in the Australian aviation sector.

We urge the ACCC to consider the benefits this deal brings to the Australian aviation market, the economy, and the opportunities it presents to the workforce while incorporating the necessary safeguards to ensure the long term sustainability of Australian based airline operations and delivering jobs for Virgin Australia pilots.

Your Sincerely



Ben Bollen
AFAP President



Steve Hungerford
AFAP Virgin Pilot Federation Chair

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