Submission to the Australian Competition and Consumer Commission (ACCC)

From: Australian and International Pilots Association (AIPA)
Date: 26 November 2024

Subject: Concerns Regarding the Proposed Qatar Airways Investment in Virgin Australia Group

The Australian and International Pilots Association (AIPA) represents 2,400 Qantas Group pilots employed by Qantas Airways Limited, Jetstar Airways Pty Limited, and their associated regional and freight subsidiaries. As a union and professional body, AIPA is dedicated to promoting aviation safety, protecting pilots' rights, and maintaining fairness in Australia's aviation industry. We are also a member of the International Federation of Airline Pilot Associations (IFALPA), which represents over 100,000 pilots worldwide.

We write to express our concerns regarding the proposed acquisition by Qatar Airways of a 25% stake in Virgin Australia Group and the subsequent wet lease of Qatar Airways aircraft to operate services on behalf of Virgin Australia.

Competition in the Australian Aviation Industry

AIPA welcomes competition that benefits passengers, fosters innovation, and encourages efficiency. However, competition must occur on a level playing field. The aviation landscape in Australia is rarely level, with state-owned foreign carriers often leveraging subsidies and national strategies to undercut private, commercial airlines. Qatar Airways exemplifies this model.

The proposed acquisition and wet lease raise significant concerns about the fairness of competition, the integrity of Australia's bilateral air service agreements, and the broader implications for the Australian aviation workforce and industry.

Impact on Bilateral Air Service Agreements

The bilateral air services agreement between Australia and Qatar regulates the traffic rights granted to each nation's airlines. Allowing Qatar Airways to operate under Virgin Australia's traffic rights via a wet lease circumvents these agreements, effectively doubling Qatar Airways' presence in Australia.

This bypass undermines the intent of the bilateral agreements and sets a concerning precedent. Other foreign airlines could follow suit, acquiring minority stakes in smaller Australian carriers to exploit similar arrangements. Such practices could destabilize the Australian aviation market and diminish the value of carefully negotiated bilateral agreements.

Industrial and Workforce Implications

The wet lease arrangement shifts Australian jobs to a foreign jurisdiction with vastly different labour standards:

- **Lack of Worker Representation:** Qatar prohibits independent trade unions, restricting workers' rights to representation and industrial action. This stands in stark contrast to the robust industrial framework in Australia.
- **Lower Pay and Conditions:** Qatar Airways pilots and flight attendants earn significantly less than their Australian counterparts. For example, an Australian pilot earns roughly double the salary of a Qatar Airways pilot flying comparable aircraft.
- **Outsourcing Australian Jobs:** Virgin Australia's use of Qatar Airways' wet lease effectively offshores Australian jobs to a lower-cost jurisdiction, bypassing Australia's industrial relations and workplace safety frameworks. This contradicts the government's stated commitment to the principle of "same job, same pay."

Broader Industry Risks

If approved, this arrangement could pave the way for a "flag of convenience" model in Australian aviation, similar to that which has devastated the Australian maritime industry. Other Australian airlines may see this as an opportunity to lower costs by outsourcing international operations to foreign operators.

The potential impacts include:

1. **Erosion of Australian Aviation Standards:** Increased reliance on foreign operators, risking diminishing the high standards associated with Australian airlines.
2. **Discouragement of Aviation Careers:** Reduced opportunities for Australian pilots and flight attendants to work internationally may deter young Australians from pursuing aviation careers, exacerbating existing pilot shortages.
3. **Impact on Tax Revenue:** Unlike Australian-based employees, Qatar Airways' foreign-based crews pay no Australian income tax, further diminishing the economic benefits of this arrangement.

Virgin Australia's Financial Capacity

Virgin Australia recently reported a $500 million profit, indicating it has the financial capacity to invest in its own fleet and workforce. Virgin should lease or purchase its own aircraft and employ Australian-based crews, ensuring compliance with Australia's industrial laws and maintaining jobs within Australia.

AIPA Recommendations

AIPA urges the ACCC to consider the following:

1. **Reject Anti-Competitive Practices:** Prevent any arrangements that undermine bilateral air service agreements or unfairly disadvantage Australian carriers.
2. **Restrict the Wet Lease Scope and Duration:** Limit the wet lease arrangement to no more than three years and restrict its operation to routes between Australia and Doha.

3. **Protect Australian Jobs and Standards:** Ensure any arrangements uphold the principles of fair competition and Australian industrial standards.

Conclusion

The proposed acquisition and wet lease arrangement present a significant risk to the integrity of Australia's aviation industry. It circumvents bilateral agreements, undermines Australian jobs, and sets a dangerous precedent for anti-competitive practices.

AIPA would welcome the opportunity to discuss these concerns further and provide additional insights into the potential impacts of this proposal.

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Faithfully,

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