



Thursday, 7 November 2024

Tony Hilton  
Director, Competition and Exemptions  
Australian Competition and Consumer Commission  
GPO Box 3131,  
Canberra ACT 2601

Dear Tony,

**RE: Virgin Australia and Qatar Airways Application for Authorisation (AA1000679)**

Brisbane Airport (BNE) is Queensland's premier international airport, and Australia's third busiest by passenger volume. As the gateway to our city, state and nation, BNE has a vital role to play in fostering connections across our region and representing the best of Brisbane on the world stage. We believe that our role extends beyond simply providing effective and efficient aviation facilities. It is also about building - and being - a place that reflects the best attributes of our city, state and country. With the 2032 Olympics secured for Brisbane, the next decade will provide a catalyst connect our city to the world, creating a legacy for future generations.

While domestic passenger volumes have recovered to 100% of pre-COVID volumes, Australian Airports continue to face challenges with constrained international passenger volumes. As a key economic driver in Southeast Queensland, we believe that further growth can be achieved through re-building our international portfolio with high quality carriers servicing new or growing markets. Brisbane Airport Corporation (BAC) therefore wishes to express its support for the proposed alliance between Virgin Australia (Virgin) and Qatar Airways (Qatar).

Through significant investment by BAC, the Queensland Government, and the Brisbane City Council, routes into traditional markets have been returned (e.g. New Zealand, the Pacific and Japan). China and North Asia are also gradually improving, with North America presenting promising opportunities for growth. However, services from BNE to Europe, India and the Middle East are disproportionately lower than other Australian ports can offer their communities.

BAC has been made aware of additional services from Brisbane to Dohar with B777-300ER aircraft under Virgin (providing 339 to 412 seats). The additional services had been planned to commence by Qatar Airways in 2023, but was withdrawn due lack of access under current bilateral agreements.

As has been demonstrated by a recent review into the economic contribution of BNE (as part of its future 2026 Master Plan), additional flights have a direct correlation with growing key industries in Queensland (and ultimately, Australia). This view is predicated on a range of factors, including:

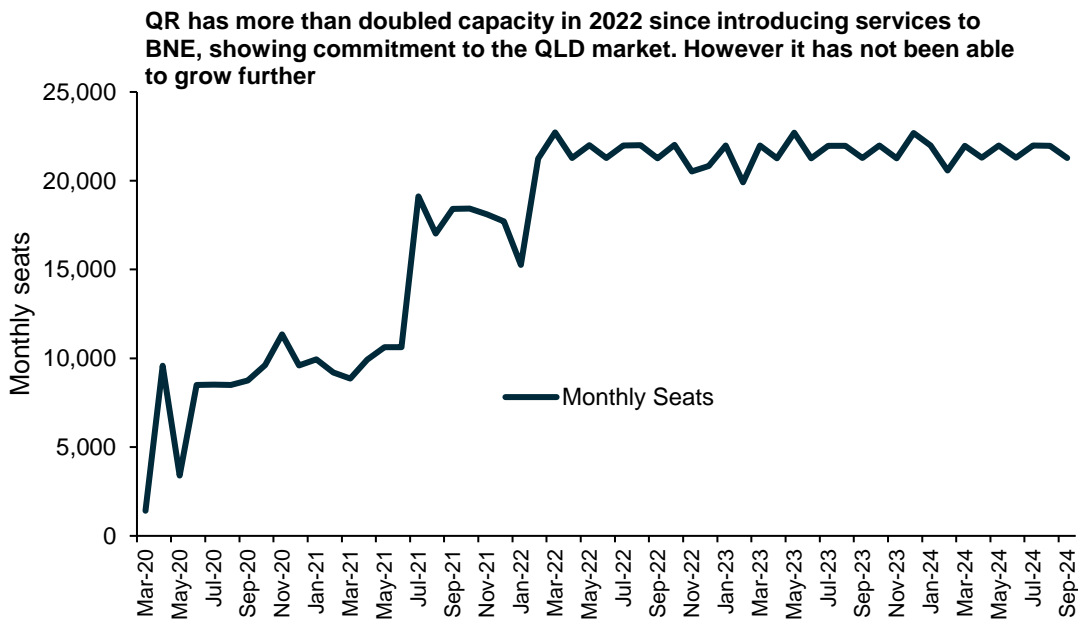
- Increased seat capacity on key trade routes, both direct to the Middle East and also to beyond markets in Europe including the United Kingdom, Germany, and Italy, amongst others
- Increased tourism visitation to the region driven by increased market access and lower air fares
- Increased air cargo capacity available to Queensland based exporters, particularly for high value, time sensitive goods; and
- Increased demand for aviation support services, infrastructure maintenance and freight.

The current international aviation environment has been characterised by a very strong recovery in demand. The supply side constraints have unfortunately hampered the markets' ability to meet this demand, exacerbated by a local carrier with over 30% of Australia's international market (not including code share arrangements). This has resulted in stubbornly high air fares and lack of access for passengers from key source and trade markets. A search of publicly available websites confirms that prices for international travel to and from BNE is around 75% higher than pre-COVID. The solution to this problem is additional services from high quality carriers with the reach and scale to compete at an international level.

From a domestic perspective, the ability for Virgin to expand its footprint to international services, and feed international travellers to its domestic network, will strengthen its financial stability over the long term. This stability is essential to ensure ongoing competition in the domestic marketplace, which in turn, provides benefits to consumers and the broader aviation industry.

### Qatar Airways performance to date

Qatar Airways services to Brisbane commenced at the height of the COVID pandemic – a period of unprecedented contraction within the aviation industry. Qatar's weekly services to BNE demonstrated unparalleled commitment from the carrier to the Australian market (which by March 2025, will mark 5 years at BNE). Qatar has added further capacity since commencement to reach seven return flights each week. As a result, despite bi-lateral restrictions, Brisbane airport will celebrate one million seats flown to or from Brisbane via Qatar Airways. It should be noted that this demand has been driven primarily by outbound residents, who comprise nearly 60% of total passengers on Qatar. The following graph shows the monthly two-way seat capacity provided by QR since the commencement of services to BNE.



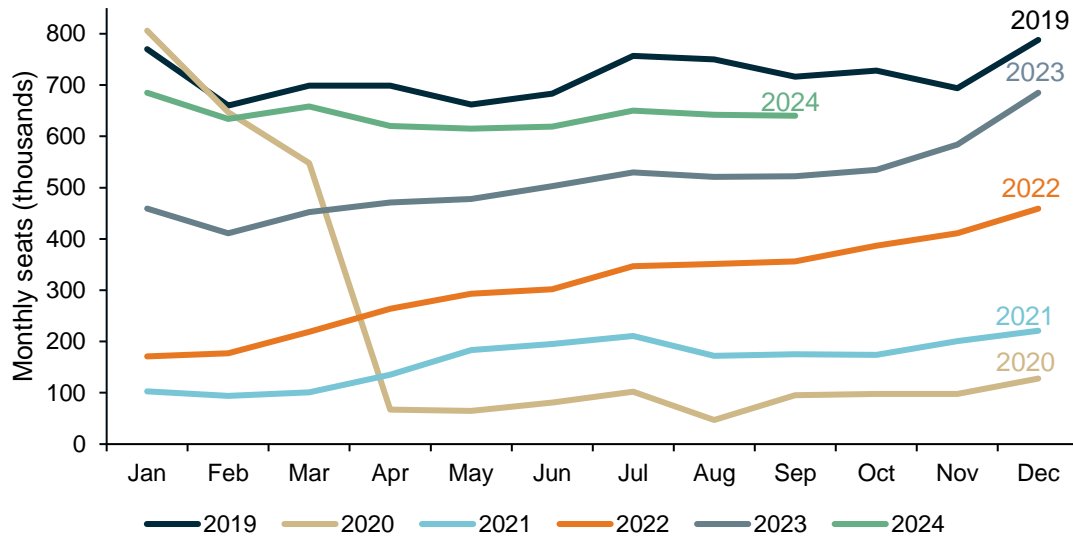
Source: BAC Data

During this time, the airline has been able to operate at high and sustained load factors, providing evidence of the market's willingness to use its services. We believe an alliance between Virgin and Qatar will yield immediate benefits to increasing capacity between Australia and key international markets in the Middle East, the United Kingdom and Europe. Additional capacity to these destinations is crucial for BNE, given Qatar can support up to 25% of outbound passengers to these destinations from BNE.

## Capacity constrained environment

Recovery from the pandemic has seen demand far exceed supply by a several metrics such as high air fares and above long-term average load factors. This phenomenon has plagued all international airports in Australia, with BNE no exception. The graph below shows the monthly international capacity volumes for the years CY19 to Q324. In September 2024, BNE had recovered to 89% of 2019 international capacity volume.

**Monthly International capacity at BNE Airport is at 89% of pre-COVID levels (Sept 2024 vs Sept 2019)**

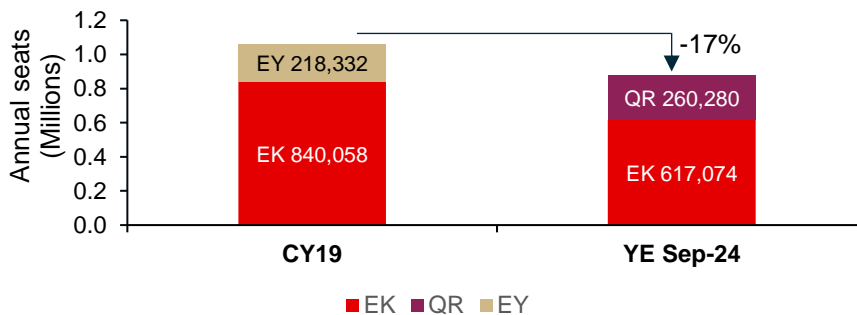


Source: BAC Data

The following graph illustrates the pre-COVID seat capacity between BNE and the Middle East. There are several observations that support increasing services via a Virgin/Qatar alliance. These include:

- Etihad Airways has not returned to the market. Discussions with the Etihad suggests that due to major corporate restructuring, a return is not imminent within the short to medium term
- Both Emirates and Qatar Airways current supplied capacity is 17% below pre-COVID levels.

**Services to the Middle East are 17% below pre-COVID levels**



Source: BAC Data

## Economic benefits of additional flights

Depending on the aircraft operated by Virgin via Qatar Airways, an additional daily service to BNE would generate annual seat volumes between 206,590 and 300,760. At an assumed 80% load factor, a new service would be expected to handle 165,272 and 240,608 passengers annually.

From an inbound tourism perspective, it is estimated the new service would handle between 41,000 – 60,000 inbound visitors\* to Queensland. Using a midpoint estimate of 51,000, the following table highlights key economic benefits expected from the additional operations.

Inbound visitors	Average Overnight Visitor Expenditure	Total Overnight Visitor Expenditure	Assumed spend / job created	Jobs created
51,000	\$2,500	\$127,000,000	\$200,000	635

\*Assumed to be 50% of total passengers

## Interline Arrangements

While BAC supports the Virgin Australia and Qatar alliance, we note some of the proposed restrictions to be placed on Virgin Australia. The authorisation application proposes that Qatar Airways will become Virgin Australia's exclusive interline, codeshare, and loyalty partner, and that Virgin Australia will not codeshare on the international flights of other airlines to, from or within the Middle East, Europe, and Africa. Given Virgin Australia's limited international scale, there are several matters to be considered from this arrangement, including:

- **Reduced partnership diversity:** with Virgin Australia losing existing partnerships with other major international airlines such as Etihad and Singapore Airlines, thus limiting options for passengers who prefer these airlines or need connections to destinations not served by Qatar
- **Limit network reach:** related to the above, although Qatar has an extensive network, the proposed arrangements mean Virgin Australia would not be able to build alliances with other airlines in the Middle East, Europe or Africa. This could reduce the overall network reach and connectivity for Virgin Australia passengers.
- **Dependency on a single strategic partner:** relying solely on Qatar for interline and codeshare agreements could make Virgin Australia vulnerable to any operational or strategic changes by Qatar. This could reduce overall network reach and connectivity for Virgin Australia passengers.

BAC's view is these restrictions risk serving as a constraint for further expansion of Virgin's international network, particularly in the medium to long term. At a minimum, we would suggest Virgin maintain Velocity frequent flyer privileges and status across affiliated carriers.

Notwithstanding the above issues, we believe on balance, an alliance between Virgin and Qatar will be good for Queenslanders by increasing capacity, providing more choice, and stimulating competition in the international market. Together, these factors will drive greater connections between Brisbane and key world destinations – a key objective of BNE. If you would like further information on this submission, please contact Mr Rishi Wijesoma, Government Policy Lead, on [REDACTED] or [REDACTED].

Yours sincerely



Ryan Both  
Executive General Manager Aviation