

6 November 2024

Mr Tony Hilton
Director
Competition Exemptions
Australian Competition and Consumer Commission
By email: exemptions@accc.gov.au

Dear Mr Hilton

AA1000679 – Virgin Australia and Qatar Airways application for authorisation

Canberra Airport appreciates the opportunity to make a submission on the application by Virgin Australia Airlines Pty Ltd (Virgin) and Qatar Airways Group Q.C.S.C. (Qatar) for authorisation to engage in an Integrated Alliance for a period of five years.

Canberra Airport is supportive of the application for authorisation. Virgin currently accounts for between 30 and 36 per cent of all passengers at Canberra Airport. Authorisation would offer travellers from the ACT and southern NSW the ability to purchase fares on these Virgin flights to access gateway airports before connecting with a Virgin-Qatar international flight to access broader and deeper networks at a competitive price.

In addition, the alliance would increase inbound visitation, improving the likelihood of the introduction of routes to airports beyond the four gateways. Canberra Airport welcomes this suggestion in the application and believes the introduction of connections between Canberra and Doha will make a positive contribution to the economy of the ACT and southern NSW.

As the aviation sector continues the recovery from the COVID-19 pandemic, it is important that the domestic and international markets are competitive, offering more choice, improved connectivity and lower fares for passengers.

To assist the ACCC to analyse the advantages of the proposed conduct, particularly for the ACT and southern NSW, this submission provides detailed information on how additional domestic and international connections will boost visitation and economic opportunities, while placing downward pressure on airfares.

Connecting Canberra to the globe

The proposed conduct has the potential to deliver positive outcomes for the national capital region with increased connections to various international destinations. It is noted that in addition to services between Doha and the four gateways, the alliance will explore introducing flights to secondary gateway airports.

Canberra Airport welcomes the undertaking that “flights between Doha and other non-gateway ports, such as Canberra” can be realised under the alliance.¹ Prior to the pandemic, Qatar’s daily service between Doha and Canberra via Sydney connected the national capital to the globe, delivering economic, trade and investment opportunities for the communities of the ACT and southern NSW. It also provided more seamless travel for leisure and business passengers who could conveniently access the vast network of destinations offered by Qatar.

Canberra Airport welcomes the sentiment expressed in the application that if approved, the proposed conduct would likely result in the introduction of new routes, specifically between Doha and Canberra. With more than 950,000 people living within the footprint of Canberra Airport, the demand for regular international services connecting the region to Europe, Africa, Asia and the Middle East exists.

Since the pandemic, passengers based in the ACT and southern NSW have been required to travel to gateway airports in order to access many of the international destinations that can be realised through the proposed conduct. The choice and convenience of flying out-of-and-into their home airport has not been available to them. The proposed conduct could change this.

Greater choice and direct connections, particularly for long-haul flights, are attractive for leisure and business travellers. Aviation’s recovery from the pandemic has not progressed as rapidly as hoped. This proposed conduct will stimulate more demand, particularly from passengers based in the ACT and southern NSW, through improved flight schedules and the option to connect with international destinations from the convenience of Canberra Airport.

To achieve international connectivity to regional ports, such as Canberra, there must be a review of bilateral air service agreements. Offering incentives to international airlines to fly directly to secondary gateways or add these ports as a tag service to existing routes would be appropriate.

Support from the Commonwealth Government to encourage international airlines to access non-gateway airports would benefit regional areas. The competition, lower airfares and increased connectivity the proposed conduct could offer the ACT and southern NSW is encouraging and this will only be enhanced through the introduction of connections between Canberra and Doha.

¹ Gilbert + Tobin (2024), Authorisation for proposed integrated alliance between Virgin Australia and Qatar Airways Group Q.C.S.C. Viewed on 21 October 2024 at: www.accc.gov.au

Improved connectivity

Providing more than 120 flights per week to five domestic destinations, including three of the gateway airports, Virgin is fundamental to connecting the ACT and southern NSW to the rest of Australia and on to international destinations. The proposed conduct would increase the attractiveness of Virgin's existing domestic network for many passengers due to the connections to the 107 new one-stop destinations under the alliance. For many residents of the broader Canberra region, this will expand the destinations that can be accessed from Canberra Airport.

The interline connectivity created by this will increase public confidence and drive greater interest in the routes offered through the alliance. The benefits to passengers, including improved convenience by not needing to collect and re-check baggage mid-journey and time savings associated with through-check, will deliver a more seamless travelling experience.

Lower airfares

International airfares remain at high levels following the pandemic, pricing many Australians out of the opportunity to travel overseas, while also restricting growth in the domestic tourism industry. Without effective and appropriate action, fares will only continue to increase. It is proven that the more airlines servicing a route, the lower fares will be. The Commonwealth Government recognises that airlines competing on the same route favours passengers considerably. The Assistant Minister for Competition, Charities and Treasury, noted earlier in the year that airfares are "halved when three competitors fly a route compared with the situation where there is only a single monopoly airline".²

The Middle East is a global aviation hub, particularly for Australians travelling to Europe, Africa and parts of Asia. The introduction of Virgin servicing routes into the region, in addition to existing airlines, would contribute to lowering airfares. As increased capacity results in downward pressure on airfares, those residents of the ACT and southern NSW travelling overseas for business or leisure would benefit by paying less.

In addition, lower airfares would boost incoming visitor numbers by making the long-haul trips to Australia more affordable. The recovery from the pandemic is ongoing and higher airfares, particularly from Europe, have dampened visitation and visitor spend. This has impacted tourism businesses across the ACT and southern NSW. Incentivising more visitors to the national capital region through lower fares would be a welcomed injection into the local economy.

² Dr Andrew Leigh MP (2024), Opinion piece: Why many pay too much for flights, and how to make them more affordable. Viewed on 22 October 2024 at: www.treasury.gov.au

Tourism

The ACT and southern NSW is a drawcard for international tourists due to the various cultural, historical and natural attributes the region has to offer. Prior to the pandemic, international visitation to the region was growing rapidly, with more than 400,000 international tourists visiting the ACT and southern NSW in 2019.³ The majority of these visitors were from Asia and Europe.

This was boosted by international airlines operating regular services to Canberra Airport. One of the most successful was Qatar's daily service between Doha and Canberra via Sydney which provided global connections that had not previously been available. This benefited incoming tourists who were afforded a more seamless travel experience by connecting directly to Canberra Airport, without the need to transit through gateway airports.

Canberra and southern NSW have a vibrant tourism economy. From the snowfields of Thredbo, the cultural icons of Canberra, the pristine beaches of the South Coast and the wineries of Murrumbateman and Yass, there are many attractions for international visitors.

Over the last decade, the ACT and southern NSW has emerged as a significant cultural hub which has boosted interest from the domestic and international tourism markets. Travellers now view the region more than just the home of traditional institutions such as Parliament House and the Australian War Memorial. There is a growing desire to experience the leading culinary, cultural and recreational offerings available.

In the year to June 2024, 15 per cent of all international visitors to the ACT were drawn from the United Kingdom, India and Germany.⁴ As outlined in the application, connections from these countries are available through Qatar's main hub, increasing the opportunities to grow tourism numbers from these markets into the ACT and southern NSW, while expanding connections to previously untapped markets, driving greater inbound tourism.

Export opportunities

The ACT and southern NSW is known for producing premium food and products which have strong demand from international destinations. Canberra Airport recognises there is a greater need to grow export opportunities to link local businesses with global markets. The network of destinations that would become available under this alliance will drive export opportunities which can be leveraged by local businesses to grow their reach across the globe.

Canberra Airport already has the logistics and infrastructure to support increased export volumes and is well-connected to the many communities of Southern NSW by a road system

³ Tourism Research Australia (2019), Local Government Area profiles. Viewed on 22 October 2024 at: www.tra.gov.au

⁴ VisitCanberra (2024), Tourism in the ACT Snapshot: June 2024. Viewed on 22 October 2024 at: www.tourism.act.gov.au

which can carry freight vehicles. Regular direct or indirect international services through this alliance can foster expanded freight opportunities which support the growth of many small-and-medium sized businesses in the national capital region.

Economic development

The additional flights to Australia that will be delivered under the proposed conduct, including those to secondary gateways, are likely to foster enhanced economic opportunities. By providing direct or indirect connections to regional centres, such as the ACT and southern NSW, the alliance can allow overseas businesses to explore investment opportunities, including the establishment of an Australian base. With the Commonwealth Government centered in Canberra, many domestic and international organisations have established their headquarters in the national capital. The additional connectivity offered by the proposed conduct would encourage further investment and incentivise multi-nationals to establish a presence in Canberra.

The enhanced connectivity would also assist in developing the workforce across the ACT and southern NSW. More seamless connections between the region and the 80 countries in Qatar's network would support interest from overseas jobseekers hoping to spend time living and working in Australia. In particular, the additional connection to the United Kingdom through Doha would increase the attractiveness of the national capital region for those seeking a working holiday in Australia. The recent changes to the Working Holiday visa arrangements for UK passport holders mean those looking to work and live in Australia will not need to complete farm work in order to be eligible for a visa. This increases the possibility of travellers viewing the national capital region as a place to work and live because of the varied industries that are available. In essence, the improved connectivity offered by the alliance would connect skilled professionals from the United Kingdom to the ACT and southern NSW. This will boost the workforce, drive economic growth and market the region to other parts of the globe.

Corporate travel

Corporate and business travel comprise a significant proportion of the passengers transiting through Canberra Airport. Due to the centralisation of the Commonwealth Government, accessing bureaucrats, the major political parties and peak industry bodies in one city is important for the ongoing development of trade, business and diplomatic relations. As noted in the application for authorisation, the share of corporate contracts in Australia is heavily skewed towards one airline, essentially freezing out competitors. This proposed conduct would offer greater choice for corporate and business travellers by providing stronger offerings, particularly on the domestic network.

It also has the potential to transform public sector travel. Recent public revelations that more than 80 per cent of taxpayer funded flights were booked with the one airline highlight the

concentrated nature of the Australian aviation market.⁵ Taxpayer funded travel should be shared more equally across airlines to boost competition. Canberra Airport submits the authorisation of this application will assist in achieving this. The proposed conduct will not only furnish additional options for public servants travelling for business overseas, but also provide interline connectivity to the major gateways from Canberra where Virgin currently accounts for between 30 and 36 per cent of total passenger share.

Sustainable aviation fuel

Canberra Airport supports the sentiment shared by Virgin and Qatar that greater investment into sustainable aviation fuel (SAF) is required to decarbonise the industry. Further collaboration between aviation participants will contribute to far greater acceptance across the industry, increase uptake and develop a domestic SAF production industry. The shared commitment between Virgin and Qatar provides a clearer pathway for aviation to reach net zero by 2050.

Given aviation accounts for between two and three per cent of all global carbon emissions, the decarbonisation of the industry is necessary for Australia to meet net zero targets. Initiatives such as more fuel-efficient aircraft contribute to net zero, but SAF is the near and long-term decarbonisation solution to drive emissions reduction across the aviation industry.

The International Air Transport Association estimates that the uptake of SAF will reduce global aviation emissions by between 62 and 78 per cent by 2050.⁶ Virgin accessing the learnings from Qatar's fuel optimisation projects will be important in progressing this.

Canberra Airport believes the collaboration and engagement about SAF between Virgin and Qatar that would be furnished under this application would be a progressive step towards reducing greenhouse gas emissions.

Conclusion

The vulnerability of the aviation industry has been highlighted with the collapse of two domestic airlines in 2024. This has significantly reduced competition, resulting in less choice and higher fares for passengers across Australia. It is crucial that Virgin continue to grow and expand its domestic and international networks. The proposed conduct will increase competition, improve connections and offer more seamless travel. For these reasons, Canberra Airport supports this application for authorisation.

⁵ Amelia McGuire (2024), *Qantas' lions share of taxpayer-funded flights under the microscope*. Sydney Morning Herald. Viewed on 21 October 2024 at: www.smh.com.au

⁶ International Air Transport Association (2024), SAF Handbook. Viewed on 22 October 2024 at: www.iata.org

For more information, please contact our Government Relations and Policy Advisor, Jordan Fallon, by phoning 6175 3384 or emailing j.fallon@canberraairport.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Thomson', with a long horizontal flourish extending to the right.

Michael Thomson
Head of Aviation