

30 October 2024

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

Via email: [exemptions@acc.gov.au](mailto:exemptions@acc.gov.au)

Dear Mr Hilton,

## Virgin Australia and Qatar Airways authorisation application – AA1000679

Thank you for the opportunity to comment on the authorisation application by Virgin Australia Airlines Pty Ltd and Virgin Australia International Airlines Pty Ltd (together, **Virgin Australia**) and Qatar Airways Group Q.C.S.C (**Qatar Airways**).

Sydney Airport (**SYD**) supports a competitive aviation market within Australia and internationally, particularly as the aviation industry continues to recover from the COVID-19 pandemic and continues to face a global aircraft delivery shortage.

SYD supports the proposed integrated alliance between Virgin Australia and Qatar Airways. The proposed alliance (if authorisation is granted) will likely offer benefits to passengers in the form of increased connectivity and convenience between Australia and destinations abroad.

This is because the proposed alliance will enhance competition and connectivity to the Middle East, Europe and Africa by enabling an Australian airline to operate services from Sydney (and other Australian ports) to the Middle East. At present, there are no Australian airlines that operate services from Sydney to Europe via the Middle East, with Qantas stopping services in early 2018 and Virgin Australia stopping services in February 2017. The increased competition and supply on routes to the Middle East will provide more choice and connectivity for passengers, and likely result in lower airfares. This is particularly important for Australians in the context of cost-of-living pressures and an environment of higher airfares. For instance, as set out in the authorisation application, airfares in the period April to June 2024 compared to the period January to June 2019 have increased on average:<sup>1</sup>

- 41% for flights between Australia and Europe; and
- 56% for flights between Australia and the Middle East.

It is unclear if the alliance will preclude Virgin Australia from entering into codeshare or interline arrangements with carriers based in Asia for services from Sydney (and other ports in Australia) to Asia, Europe and Africa, or from entering into agreements with any overseas carrier to transport passengers domestically in Australia once those passengers land in Australia. It would be optimal for Virgin to be able to enter into such arrangements to ensure connectivity and choice for passengers.

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<sup>1</sup> *Authorisation for proposed integrated alliance between Virgin Australia and Qatar Airways Group Q.C.S.C., Submission to ACCC in support of application for authorisation*, 11 October 2024, p21, available at: <https://www.accc.gov.au/system/files/public-registers/documents/Application%20Received%20-%2001.10.24%20-%20PR%20VERSION%20-%20Virgin%20Qatar.pdf>

The proposed alliance is also important in the context where supply and competition on routes between Sydney and the Middle East have been constrained due to the operation of bilateral air service agreements (**ASAs**) negotiated between Australia and other countries, which restrict the number of international flights and passengers to and from Australia.

ASAs are bilateral government treaties, which allow airlines to operate international services. These arrangements often include capacity restrictions on the number of flights and number of passengers on international services. Demand is currently meeting, or exceeding, restrictions placed on several routes. This limits an airline's ability to compete, including to expand its operations to and from Australia, in response to their competitors' price and service decisions.

By way of an example, there are significant restrictions contained in the current bilateral ASA between Australia and Qatar that limit the ability for Qatar Airways to compete effectively, including to increase capacity and services into Sydney and other key Australian ports. Qatar Airways is limited to operate a maximum of 28 services per week to Australia's major ports, which have all been fully utilised.<sup>2</sup> In contrast, the bilateral ASAs between Australia and other countries in the Middle East are less restrictive.<sup>3</sup> The operation of the bilateral ASA between Australia and Qatar likely results in overall less choice for consumers and higher airfares on these routes.

The proposed alliance will enable an additional 28 services per week between major Australian ports and Qatar, by enabling Virgin Australia to utilise the full allocation of services available to Australian domiciled carriers under the bilateral ASA (28 per week), which currently remains unutilised.<sup>4</sup> In this regard, SYD believes that the proposed integrated alliance (together with liberalisation of bilateral ASAs) would enhance competition on routes connecting Australia to the world. This will increase competition on routes between Australia and the Middle East and will likely benefit passengers through reduced prices and increased choice, connectivity, and service quality.

If you have questions in relation to this submission, please direct them to Lisa Lucak (Head of Legal Services) at

Sincerely,



**Greg Botham**  
Group Executive, Aviation Growth and Group Strategy

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<sup>2</sup> See: <https://www.infrastructure.gov.au/sites/default/files/documents/growth-potential-foreign-airlines-northern-summer-2024.pdf>

<sup>3</sup> For example, the bilateral ASA between Australia and United Arab Emirates is far less restrictive. It allows for up to 168 services per week to major Australian ports (six times more than the allocation under the ASA between Australia and Qatar), and a significant portion of this allocation remains unutilised. See: <https://www.infrastructure.gov.au/sites/default/files/documents/growth-potential-foreign-airlines-northern-summer-2024.pdf>

<sup>4</sup> See: <https://www.infrastructure.gov.au/sites/default/files/documents/register-of-available-capacity-for-australian-international-airlines-30september2024.pdf>