
Authorisation for proposed integrated alliance between Virgin Australia and Qatar Airways Group Q.C.S.C.

Confidential submission to ACCC in response to Interested Party Submissions

13 November 2024

Confidential – restriction of publication claimed

This submission contains information that is commercially confidential to the Applicants.

[Confidential information marked in blue highlight reflects Virgin Australia confidential information that should not be shared with Qatar Airways or the public]

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1 Overview

A number of Interested Parties have made submissions in relation to the Application for authorisation of an Integrated Alliance between Virgin Australia and Qatar Airways.

It is uncontroversial among these submissions that the Proposed Conduct will deliver significant public benefits in the form of New Services, improved connectivity, and support for tourism and export industries, while supporting Virgin Australia as a more effective competitor. Some submissions have raised questions about the way in which those benefits will be delivered regarding:

- the limited geographic exclusivity which forms part of the Proposed Conduct on overall frequent flyer and codeshare benefits under the Integrated Alliance; and
- Virgin Australia using a wet lease to commence 28 new weekly services between Australia and Doha.

This submission addresses these two issues.

The Applicants note that:

1. the ACCC is continuing to receive Interested Party submissions and the Applicants may make further submissions in response; and
2. capitalised terms not defined in this submission are defined in the application for authorisation and accompanying submission (**Authorisation Application Submission**).

2 The Proposed Conduct will deliver significant and undeniable public benefits

As reflected in the submissions of interested parties, the Proposed Conduct will deliver clear and significant public benefits to Australian travellers and the Australian economy. The Proposed Conduct will:

- enable crucial additional capacity between Australia and the hub of Doha with connections to onward destinations in Europe, the Middle East and Africa (**EMEA**) for both passengers and exporters and importers of freight;
- create more choice and greater connections to key travel and export destinations around the globe;
- foster a stronger and more resilient Virgin Australia to compete against the dominant Qantas Group post-administration and in the context of the 2024 collapse of two domestic airlines (Rex and Bonza);
- offer greater choice for corporate and business travellers by providing enhanced international connections, which will allow Virgin Australia to provide a more attractive alternative to Qantas for corporate travellers requiring a joint domestic and international solution, stimulating competition in the domestic market;
- promote domestic and international airline competition by adding capacity which places downward pressure on airfares;

- stimulate both inbound tourism and Australian jobs (with an estimated incremental economic benefit of ~AUD\$3 billion in the first five years alone, excluding freight benefits); and
- allow customers of both Virgin Australia and Qatar Airways the ability to access benefits associated with the additional capacity and connectivity, including additional direct and connecting services to accrue and redeem frequent flyer points and earn status credits.

As noted in the submission of the Australian Airports Association, the Integrated Alliance:

- presents a rare and valuable opportunity to enhance airline competition in Australia;¹
- is “expected to yield immediate and tangible benefits, particularly on key routes between Australia and the Middle East, UK and Europe”;²
- offers the chance to introduce further domestic capacity and greater choice for Australian travellers,³ international inbound tourists, and increased freight capacity as a result of increased passenger feed;⁴
- will directly benefit consumers with downward pressure on airfares in the context of a cost-of-living crisis and fares having surged by over 40% compared to pre-pandemic levels on EMEA routes;⁵
- will benefit consumers with seamless, end-to-end travel experiences. The proposed cooperation on network planning, pricing, sales, and loyalty programs will allow for additional connectivity and service provisions. Under the Integrated Alliance, 107 new one-stop itineraries with reduced layover times of under four hours will be added, connecting Australian travellers to destinations across EMEA.⁶ There will be further enhancements to the value proposition of Virgin Australia’s Velocity and Qatar Airways’ Privilege Club loyalty programs, as the Proposed Conduct will create greater earning and redemption opportunities across the combined networks; and
- benefits Australians living in regional centres with increased capacity and improved connectivity providing travellers improved access and stimulating regional tourism.⁷

As noted in the submission of Brisbane Airport Corporation (**BAC**), from a domestic perspective, the ability for Virgin Australia to expand its footprint to international services, and feed international travellers to its domestic network, will strengthen its financial stability over the long term.⁸ This stability is essential to ensure ongoing competition in the domestic marketplace, which in turn provides benefits to consumers, employees and the broader aviation industry.⁹ As noted in the submission of Canberra Airport, the

¹ Australian Airports Association Submission dated 6 November 2024, page 1.

² Australian Airports Association Submission dated 6 November 2024, page 1.

³ Australian Airports Association Submission dated 6 November 2024, page 1; Canberra Airport Submission dated 6 November 2024, page 1; CT Partners Submission dated 7 November 2024, page 1; Australian Travel Industry Association Submission dated 7 November 2024, page 1.

⁴ Australian Airports Association Submission dated 6 November 2024, page 1.

⁵ Australian Airports Association Submission dated 6 November 2024, page 1; Sydney Airport Corporation Submission dated 30 October 2024, page 1; Canberra Airport Submission dated 6 November 2024, page 1; Interested Party Submission dated 7 November 2024, page 1.

⁶ Australian Airports Association Submission dated 6 November 2024, page 2.

⁷ Interest Party Submission dated 7 November 2024, page 1.

⁸ Brisbane Airport Corporation Submission dated 7 November 2024, page 2.

⁹ Brisbane Airport Corporation Submission dated 7 November 2024, page 2.

Integrated Alliance will not only increase feeder traffic onto Virgin Australia's domestic and SHI network, but it will also increase the attractiveness of its existing network as well as the potential for additional services on existing domestic and international routes and the introduction of new routes e.g. flights between Doha and other non-gateway ports, such as Canberra.¹⁰

Further information on the benefits enabled by the Integrated Alliance is set out in section 8 of the Authorisation Application Submission. None of the Interested Party submissions deny the Proposed Conduct will result in public benefits.

3 The Proposed Conduct will deliver more consumer benefits than Virgin Australia's existing partnerships

Some Interested Party submissions raise questions about the impact of the Integrated Alliance on Virgin Australia's existing airline partnerships. The Applicants strongly believe that the Integrated Alliance will deliver greater network reach through the addition of four new daily LHI services to/from Australia, with continued partnership diversity for Velocity members and other Australian travellers, increasing choice and competition for international services to and from Australia.

The Applicants agree that it is essential for airlines to offer a comprehensive loyalty proposition, including on international services, to attract customers and compete with other airlines.¹¹ For Virgin Australia, it is especially important that it can offer customers an alternative to Qantas Group. Virgin Australia sees the Integrated Alliance as an opportunity to improve its loyalty proposition, the reach of its operated long-haul and international virtual codeshare network, and the opportunities for Velocity members to earn and redeem points on that network. Contrary to some concerns expressed in Interested Party submissions, the Proposed Conduct will provide Velocity members with more choice and a much broader network of itineraries on which to earn and redeem points. This improved offering is critical for Virgin Australia to compete more effectively on LHI services and in turn, domestically and against Qantas Frequent Flyer.

In particular:

- Some Interested Party submissions are based on a misunderstanding about changes to the Velocity program. Velocity members will continue to be able to earn and redeem Velocity points on Singapore Airlines operated services globally (including to and from EMEA), and to codeshare on services to Singapore and to destinations beyond, outside EMEA. Virgin Australia's arrangements with South African Airways and Virgin Atlantic are unchanged. Etihad Airways will cease to be a Velocity partner and, with or without the Proposed Conduct, Virgin Australia does not codeshare on Etihad Airways' services. Further clarifications on the changes that will be made are provided below.
- The Proposed Conduct will deliver significantly more consumer benefits than are currently available, with a much wider network of connecting codeshare services, and continued choice of partners on which to earn and redeem Velocity points.

¹⁰ Canberra Airport Submission dated 6 November 2024, pages 2, 3.

¹¹ Brisbane Airport Corporate Submission dated 7 November 2024, page 4; Australian Airports Association Submission dated 6 November 2024, page 2; Justin Thomas Submission dated 30 October 2024, page 1; Max Snow Submission dated 4 November 2024, page 1.

- Some form of exclusivity is necessary, and typical of similar alliances,¹² to support the investment in an integrated alliance, as well as Qatar Airways' equity stake in Virgin Australia. The Proposed Conduct is a single package which must be considered together. The benefits of the Integrated Alliance are only available if the Applicants' incentives are aligned and there is support for their investment in the New Services, systems and marketing.

3.1 Limited exclusivity under the Proposed Conduct is proportionate to investment in the Integrated Alliance

Consistent with other airline alliances, under the Proposed Conduct, and subject to certain exceptions:

- Qatar Airways will become Virgin Australia's exclusive interline, codeshare and loyalty partner headquartered in the Middle East or Türkiye (excluding interline for passenger re-accommodation for the purposes of guest recovery in disruption). Virgin Australia will not codeshare on the international flights of other airlines to, from or within the Middle East, Europe, and Africa, and will not acquire or supply any loyalty point accrual services or high value guest services, e.g. benefits such as lounge access provided to Gold members and above, with any airline headquartered in Africa or Europe.
- Virgin Australia will become Qatar Airways' exclusive interline, codeshare and loyalty partner headquartered in Australia (although Qatar Airways may continue its interline and loyalty arrangements with Qantas to the extent required by its **oneworld** alliance membership).
- Either Applicant is free to be part of a global airline alliance. If Virgin Australia was to join a global airline alliance, this would override any inconsistent exclusivity requirements under the Proposed Conduct.

As a result, Virgin Australia will:

- in late 2025, terminate its limited remaining partnership with Etihad Airways; and
- at the time the New Services go on sale, amend its codeshare agreement with Singapore Airlines to remove EMEA as codeshare destinations.

However, there will be no changes to Virgin Australia's loyalty arrangements with Singapore Airlines and Velocity members will continue to be able to:

- earn Velocity Points and status credits when flying with Singapore Airlines (across all Singapore Airlines routes, including to and from EMEA); and
- redeem Velocity Points for Singapore Airlines seats (across all Singapore Airlines routes, including to and from EMEA).

The exclusivity requirements are not open-ended.¹³ They are proportionate to the Applicants' joint investment in the Integrated Alliance **[RESTRICTION OF PUBLICATION]**

¹² For example, Qantas terminated its joint business with British Airways following Qantas' announcement that it was entering into a new global partnership with Emirates: see Qantas, 'Qantas and IAG to Terminate Joint Business', 6 September 2012 ([link](#)). Qantas also terminated its joint services agreements for codeshare with Air France and Cathay Pacific and withdrew its services to Frankfurt following its partnership with Emirates: see Qantas' Application for Authorisation A91332 and A91333 Request for Limited Interim Authorisation – Additional Information dated 24 September 2012, page 7 ([link](#)); and Emirates and Qantas Coordination Agreement dated 25 September 2012, page 6 ([link](#)).

¹³ **[RESTRICTION OF PUBLICATION CLAIMED]**

CLAIMED]. Fundamentally, the Alliance is about the future growth of Virgin Australia and enables it to expand its services. The partnership is designed to incentivise:

- Virgin Australia to prioritise passenger uptake of its own operated services to Doha that connect to EMEA destinations, supporting their viability and the potential for future growth of its network; and
- Qatar Airways to maintain and grow its commitments in Australia by supporting Virgin Australia's growth.

The exclusivity provisions do not risk the future benefits able to be achieved through the Alliance as suggested by BAC, nor is Virgin Australia "vulnerable to any operational or strategic changes by Qatar".¹⁴ Rather, the exclusivity provisions enable the investment, commitment and incentives to foster and grow the Integrated Alliance to deliver greater benefits and opportunities and support the success of the New Services.

3.2 Virgin Australia will continue to offer partnership diversity, but with greater network reach

The Integrated Alliance not only adds additional services to Virgin Australia's network between Australia and Doha, but it also results in an increase in the number of connecting international services that Velocity members can earn and redeem points on, improves connections, and opens up the possibility of additional routes being added in the future. The Applicants have contractually agreed to work together to **[RESTRICTION OF PUBLICATION CLAIMED]**.¹⁵ They have the incentive to do so because of the structure of the Integrated Alliance, including the exclusivity provisions.

As set out in the Authorisation Application Submission, Qatar Airways operates one of the most extensive networks of international destinations in the world. The near doubling of capacity on flights to and from Australia and Doha as a result of the New Services will make this network accessible to Australian travellers and enable Velocity members to earn and redeem points across this network, including 107 new one-stop connecting itineraries that are not available today.

Virgin Australia will continue to partner with other airlines as part of its Velocity offer and will continue to build a global codeshare network that covers a broad geographic reach.¹⁶ The Proposed Conduct will not "limit network reach"¹⁷ as there are no EMEA codeshare destinations that are currently served by Virgin Australia's other partners that are not served by Qatar Airways. In fact, Qatar Airways operates to an additional 46 EMEA destinations that are not served by Singapore Airlines.¹⁸

3.3 Changes to Virgin Australia's partnerships post-authorisation

There appears to be some confusion from the Interested Party submissions about the scope of Virgin Australia's existing partnerships and how these will change following authorisation of the Integrated Alliance.

Table 1 below shows at a glance that the only changes as a result of the Proposed Conduct are to end the partnership with Etihad Airways (EY) and to cease VA codeshare on Singapore Airlines (SQ) services to EMEA (currently only in effect to select European markets and South Africa). There are no changes to arrangements with Virgin Atlantic

¹⁴ Submission by Brisbane Airport Corporation dated 7 November 2024, page 4.

¹⁵ See: CCA, Clause 3(b)(v)-(vi) and clause 4(b)(v)(B).

¹⁶ See Authorisation Application Submission, Figure 1.

¹⁷ Submission by Brisbane Airport Corporation dated 7 November 2024, page 4.

¹⁸ See Annexure B of the Authorisation Application Submission.

(VS) or South African Airways (SA). As discussed below, airlines often change their commercial partnerships and, considering the data points below, may have done so absent the Integrated Alliance.

Some Interested Parties were supportive of the Integrated Alliance but worried about the loss of the ability to earn and redeem Velocity points on Singapore Airlines services. However, Velocity members will continue to have this ability. All passengers will be able to earn Velocity points while travelling on the same Singapore Airlines operated services sold under the Singapore Airlines code, including to Europe. As Singapore Airlines currently specifies the price at which Virgin Australia sells its coded services pursuant to an existing authorisation,¹⁹ there is no loss of pricing competition for these services. No Interested Parties expressed concern in their submissions at the loss of the ability to book on a VA code.

Table 1 Summary of changes to Virgin Australia’s partnerships post-authorisation

	Current partnership arrangement				Changes following authorisation			
	SQ	EY	VS	SA	SQ	EY	VS	SA
VA sells partner international services*	Yes	No	No	No	Yes, other than to EMEA.	No change	No change	No change
Partner sells VA domestic and SHI services*	Yes	Yes	Yes	Yes	No change	Ceases	No change	No change
VFF members earn and redeem on partner operated flights	Yes	Yes	Yes	Yes	No change	Ceases	No change	No change
VFF members access high value guest benefits, and lounge access where applicable.	Yes	Yes	Yes	Yes	No change	Ceases	No change	No change
Partner’s program members earn and redeem on VA flights	Yes	Yes	Yes	Yes	No change	Ceases	No change	No change
Partner’s program members high value guest benefits, and lounge access where applicable	Yes	Yes	Yes	Yes	No change	Ceases	No change	No change

*Includes codeshare and interline

Further detail on existing partnership arrangements is set out in **Appendix 1**.

¹⁹ ACCC Final Determination dated 8 September 2022 re application for authorisation AA1000608 lodged by Virgin Australia Airlines Pty Ltd in respect of proposed codeshare pricing arrangements with participating international airlines ([link](#)).

3.4 The benefits available with the Proposed Conduct far outweigh any loss of existing partnership benefits

The public benefits that arise from the Proposed Conduct significantly outweigh any possibility of potential detriment. In addition to the matters set out above, the Applicants note:

In relation to Singapore Airlines, the only change under the Proposed Conduct is that VA will no longer supply on its code flights between EMEA and Singapore. This change will not result in any significant changes to consumer benefits or impact competition.

In particular:

- Virgin Australia currently only sells a very small proportion of Singapore Airlines' seats between Australia and EMEA. For each month in FY24, this proportion ranged from [REstriction of Publication Claimed]. In FY24, [REstriction of Publication Claimed] were taken by customers on Virgin Australia coded Singapore Airlines flights to/from EMEA destinations. By way of comparison, Singapore Airlines' total seat capacity to/from Australia in FY24 was ~ [REstriction of Publication Claimed]. The loss of Virgin Australia as a marketing carrier on EMEA routes will therefore not have a meaningful impact on Singapore Airlines' future capacity decisions, or, as one Interested Party has suggested, "cannibalise" these services.²⁰
- Those passengers who travelled on a VA coded service would have the choice of continuing to travel on Singapore Airlines services at the same price point, while earning (and redeeming) Velocity points, or travelling on a combination of Virgin Australia and Qatar Airways operated services on either VA or QR code, while earning (and redeeming) Velocity points.
- Velocity members will continue to be able to earn Velocity Points and status credits when flying with Singapore Airlines (across all Singapore Airlines routes), and redeem Velocity Points for Singapore Airlines seats (across all Singapore Airlines routes).
- Under the existing codeshare agreement, Singapore Airlines currently specifies the fares at which Virgin Australia may market itineraries. Under this type of codeshare arrangement, there is no potential for price competition between Singapore Airlines and Virgin Australia. The removal of EMEA routes from the codeshare agreement therefore does not lead to any loss of price competition between Virgin Australia and Singapore Airlines. Further, the addition of capacity under the Proposed Conduct will place downward pressure on airfares, as noted in the Authorisation Application Submission.

In relation to Etihad Airways, Virgin Australia will be ceasing the existing partnership. While Virgin Australia and Etihad Airways once had a significant partnership,²¹ this has been much more limited since 2020. The reduction in Etihad's Australian services means that it would not add significantly to Virgin Australia's global network reach.

In particular:

- Virgin Australia does not market Etihad Airways flights and has not done so since 2020. Virgin Australia's codeshare with Etihad Airways is limited to Etihad Airways marketing domestic Australia services operated by Virgin Australia to or from

²⁰ Submission by Justin Thomas dated 30 October 2024, page 1.

²¹ See ACCC Final Determination dated 4 December 2015 re Application for revocation of A91247 – A91248 and the substitution of authorisations A91510 – A91511 by Virgin Australia and Etihad Airways in respect of their alliance in relation to air transport services between Australia and the Middle East ([link](#)).

Melbourne / Sydney which connect onto services between each of Melbourne / Sydney and Abu Dhabi.

- Virgin Australia’s loyalty arrangements with Etihad Airways has had **[RESTRICTION OF PUBLICATION CLAIMED]** uptake. In FY24, less than **[RESTRICTION OF PUBLICATION CLAIMED]**% of Velocity members earned Velocity Points on Etihad Airways services and less than **[RESTRICTION OF PUBLICATION CLAIMED]**% of Velocity members redeemed Velocity Points on Etihad Airways services. This limited uptake is due in part to the reduced frequencies which Etihad Airways operates to / from Australia. **Table 2** below sets out the weekly services operated by Etihad Airways, Qatar Airways and, following authorisation, the Applicants under the Proposed Conduct to / from Australia.

Table 2 Weekly services to / from Australia operated by Etihad Airways, Qatar Airways and the Applicants under the Proposed Conduct

	Etihad Airways	Qatar Airways	Applicants
Brisbane	0	7	14
Perth	0	7	14
Sydney	7	7	14
Melbourne	7	14	21
Adelaide	0	14*	14*

* 7 of which operate via Melbourne

- Customers will have the ability to earn and redeem Velocity Points on a much larger number of destinations under the Proposed Conduct compared to under the current frequent flyer arrangements with Etihad Airways. The maps below illustrate the more than 60 Qatar Airways destinations in Europe, the Middle East and Africa that are not serviced by Etihad Airways.²²

²² By way of contrast, the only current Etihad destinations in EMEA not serviced by Qatar Airways are Saint Petersburg (Russia), Tel Aviv (Israel) and Santorini (Greece).





- Customers will continue to be able to book directly with Etihad Airways when travelling to and from Sydney and Melbourne and Etihad Airways will continue to exert pricing competition within the market.

As the ACCC will be aware, airlines frequently evaluate their codeshare and frequent flyer partner relationships to ensure that they continue to maximise commercial opportunities and deliver the best value for customers.²³ Given the data points noted above, Virgin Australia may have otherwise looked to modify its relationship with Singapore Airlines or Etihad Airways absent the Proposed Conduct.

4 The New Services would not be provided without the Integrated Alliance

No Australian airline operates services on the Qatar route or to Europe via the Middle East.

Qantas stopped operating services via the Middle East in 2018 and has since marketed services operated by Emirates using its aircraft and crew. Under the Integrated Alliance, Virgin Australia will commence operating 28 new weekly return services between Australia and Doha. This will be done in partnership with Qatar Airways via a wet lease, with both airlines marketing these new services and behind and beyond connections.

Virgin Australia does not currently have suitable aircraft, the scale, the infrastructure or marketing presence to sustainably operate its own LHI services on a stand-alone basis. Any investment or expansion must be measured and prudent to best provide and sustain opportunities for Virgin Australia's workforce and to bring competition to Qantas for the benefit of consumers. If it did make the decision to acquire widebody aircraft to commence these services, it would need access to those aircraft – the delivery horizon for which is currently in the region of 5-7 years. There is no scenario where Virgin Australia can do this by itself today or build a long-haul business independent of a scale international partner carrier.

²³ For example, Qantas and British Airways terminated their joint business arrangement from 13 March 2013 ([link](#)); Etihad and Malaysia Airlines terminated their codeshare from 29 October 2022 ([link](#)); Emirates and JetBlue terminated their codeshare on 30 October 2022 ([link](#)); JAL and Vistaria terminated their codeshare and mileage partnership from 9 October 2024 ([link](#)); Turkish Airlines and Scandinavian Airlines' partnership was terminated effective from 31 August 2024 ([link](#)).

Virgin Australia does not intend to repeat the mistakes of its past. **[RESTRICTION OF PUBLICATION CLAIMED]**

Without the Proposed Conduct, Virgin Australia would not be able to viably commence new services between Australia and Doha. Nor could it enable increased capacity, frequency of services and connectivity for consumers between the networks of Virgin Australia and Qatar Airways in a commercially sustainable way. Without the benefit of the Proposed Conduct, other avenues for deeper cooperation to better serve passenger and cargo customers would be lost. These benefits include potential development of new routes and efficiencies and cost savings through joint procurement.

Qantas' submission makes the extraordinary claim that: "Left unchecked, the Proposed Conduct will signal to the wider aviation industry that bilateral air service agreements, which have been the bedrock of the sector since the end of World War II, can be readily circumvented through wet leasing."²⁴

In response, the Applicants submit:

- the Proposed Conduct is not unchecked. It is subject to various initial and periodic regulatory approvals and reviews including by the ACCC (now and if / when reauthorisation is sought after 5 years), IASC (now and upon review in 5 years), Department of Transport and FIRB.
- Even Qantas, with its scale, established LHI business, and extensive wide body fleet is intending to utilise a wet lease service with Finnair for 2.5 years before moving to a dry lease for a further 3 years. It is reasonable to expect that Virgin Australia would require longer to plan and test its LHI re-entry. Virgin Australia is employing a wet lease to utilise available capacity under the bilateral air service agreement, which would not otherwise be utilised. Without the wet lease structure, Virgin Australia is unable to operate this capacity by leasing its own wide body aircraft given its balance sheet constraints, the lack of available suitable aircraft, and given it has no existing LHI infrastructure to support operations. With the wet lease the welfare of Australians will be enhanced by promoting economic efficiency through competition in the provision of international air services which otherwise would not be the case. This results in:
 - increased responsiveness by airlines to the needs of consumers (on a route where demand exceeds supply) including an increased range of choices and benefits. We note Qantas' submission that it welcomes competition.²⁵ Competition in turn drives them to innovate, invest and deliver a better experience for customers; and
 - growth in Australian tourism and trade, with an incremental economic benefit of approximately ~AUD\$3 billion in the first five years alone.

5 The use of a wet lease enables immediate and tangible benefits without risking Australian jobs

5.1 The proposed wet lease does not risk Australian jobs

Qatar Airways has available aircraft and already operates services on this route. Through the wet lease arrangement, Virgin Australia is able to quickly and efficiently commence services from Brisbane, Sydney, Melbourne and Perth from mid-2025, delivering additional capacity, better value and more choice for Australian consumers sooner.

²⁴ Qantas Submission dated 31 October 2024, page 1.

²⁵ Qantas Submission dated 31 October 2024, page 1.

A wet lease – a well-established industry norm - offers a sustainable and financially prudent method of offering LHI services quickly without putting the sustainable employment of Virgin Australia’s people at risk. It also provides the ability to build and test a business case for moving to the provision of these services under other arrangements in the future.

The contention in Interested Party submissions that the wet lease aspect of the Proposed Conduct somehow removes or threatens Australian jobs does not reflect reality. The question at hand is not the risk of any jobs being lost, but how many new jobs might be foregone if the New Services do not proceed. The Proposed Conduct (including the wet lease services) will strengthen the attractiveness of Virgin Australia’s existing services, increase feeder traffic onto Virgin Australia’s existing network and increase the potential for additional frequencies and new routes. All of which increase the job security of Virgin Australia’s workforce and promote job growth across multiple sectors as described in paragraph 5.2 below.

Unlike the Qantas-Finnair arrangement, which is used to operate Qantas’ pre-existing services with foreign-based crew, Virgin Australia is using wet lease services to deliver entirely new services that would not otherwise be flown. There are no Australian jobs in existence which are being replaced or removed as a result of the decision to use a wet lease to bring this capacity to the market. All existing services across Virgin Australia’s current network (domestic and international) are currently operated by local Australian crew. Despite their submission and public statements, this is in contrast to Qantas Group which relies heavily on foreign labour on its Qantas and Jetstar international services.

Qantas’ submission that Virgin Australia will have no incentive to develop its own international services using Australian crew on these routes if it can “effectively bypass Australia’s laws and regulations” and that by wet leasing “without a time limit, it will be able to permanently use Qatari labour at the expense of Australian” jobs is a remarkable assertion from a company with a well-established history of outsourcing Australian jobs overseas and over a decade of leaning heavily on its own alliance with Emirates.²⁶ More importantly, it is not reflective of the intentions of the Applicants.

Under the Proposed Conduct the Applicants have committed to:

- exploring opportunities to provide a preferential direct entry pathway for Virgin Australia flight and cabin crew into Qatar Airways including via agreed pilot and cabin crew secondments²⁷ to Qatar Airways; and
- supporting Virgin Australia’s continued and gradual return to LHI flying, by utilising Virgin Australia flight and cabin crew to develop LHI capability within the Virgin Australia workforce.

This will include utilising the world leading training facilities of Qatar Airways, including full flight simulators, which Virgin Australia would simply not be able to afford on a standalone basis. Training on the Qatar Airways’ network will also drive efficiencies, accelerating the learning of both pilots and cabin crew, with access to their full network to train and operate. This means secondees will return to Virgin Australia in a significantly better place than when they left, with increased promotional opportunities.

As noted, in section 2 above, the Proposed Conduct (including the wet lease services) will have positive and significant implications for aviation related jobs and other Australian jobs as a consequence of the stimulation of competition, support for tourism and export/ import industries, and other economic opportunities that will be unlocked through the increased connectivity, services and expanded network reach under the Integrated Alliance.

²⁶ Qantas Submission dated 31 October 2024, page 1.

²⁷ Pilot and crew secondments during the wet lease period, with the opportunity for an initial intake of 20 pilots and 20 cabin crew in early to mid-2025, with the potential to increase these secondee numbers.

5.2 The proposed wet lease creates Australian job opportunities that would not otherwise exist

As noted in sections 2 and 5.1 above, the Proposed Conduct and the wet lease services will create a stronger and more resilient Virgin Australia, better able to compete, including by strengthening the attractiveness of its existing services, increasing feeder traffic onto its existing network, and increasing the potential for additional frequencies and new routes. This increases the job security of Virgin Australia's existing workforce and creates additional employment opportunities in the aviation industry, as well as adjacent industries such as tourism. The Proposed Conduct supports growth in Australian-based jobs as:

- The incremental growth of passengers connecting to Virgin Australia services from the New Services will see an increase in demand for Virgin Australia's services resulting in the need employ additional pilots and crew.
- The secondment opportunities resulting from the Proposed Conduct will create room for promotions and command upgrades of existing Virgin Australia staff and the opportunity to employ more staff to backfill roles.
- There will be significant employment benefits across the broader economy arising from the ~AUD\$3 billion economic benefit in the first five years and stimulation of inbound tourism. The increased inbound international visitor spend in Australia,²⁸ will not only boost the tourism sector creating more jobs, but is also expected to create more opportunities for employment in the hospitality industry (include food and beverages, hotels, lodging and transport).
- The Proposed Conduct is also expected to create employment opportunities in trade, as it will put downward pressure on freight costs and assist to alleviate the shortage currently experienced in Western Australia (with Western Australian airfreight exporters currently limited to one Qatar Airways flight per day, and 4–5 metric tonnes per exporter, split between 3 exporters).
- Consistent with recent statements made by Senator Don Farrell, Minister for Trade and Tourism, "increased flights mean we can welcome more visitors to Australia, boosting our tourism industry and supporting jobs and local economies, particularly in regional Australia. It also means we can get more cargo in the bellies of outbound flights, giving our exporters more opportunities for growth and to expand into new markets."²⁹

6 The capacity allocated for utilisation via the wet lease arrangement will be up for review after 5 years

The implication in Qantas' submission – and more explicitly in public remarks by senior officers of the company - that the wet lease will operate indefinitely without review is contrary to the intent of the partnership and is factually incorrect. The comparison to Qantas' own wet lease with Finnair, made by some interested parties, supports the Proposed Conduct rather than opposing it when considered in its proper context.

Qantas notes that wet leases are common in aviation and can deliver benefits to consumers and cites its Finnair wet lease as an example of such an arrangement. However, unlike Qantas' wet lease with Finnair, the Integrated Alliance is used:

²⁸ This is based on incremental passenger estimates over the 5-year period assuming Virgin Australia can offer 4 additional flights per day into Australia under the Proposed Conduct and estimates of international visitor spend. See also Tourism Research Australia: International Visitors Survey, year ending March 2024 ([link](#)).

²⁹ Take off for extra tourism and trade capacity, The Hon Catherine King MP Joint Media Release with Senator the Hon Don Farrell, 3 November 2024, ([link](#)).

- to make available entirely new services;
- where Virgin Australia does not have the aircraft, infrastructure or sales and marketing presence to provide these services on its own with an Australian crew; and
- in circumstances where commencing these services without a wet lease model could create a risk for the long-term sustainability of Virgin Australia's existing workforce.

The Qantas-Finnair wet lease involves the wet lease of two A330s to Qantas for 2.5 years and, at the end of that 2.5-year period, the dry lease of two A330s for a further 3 years. The wet leased aircraft were deployed on Qantas' existing Sydney-Singapore and Sydney-Bangkok routes. The Finnair crewed services replaced all of the Qantas-operated Bangkok flights and some of the Australian crewed Singapore services. At the time the Australian and International Pilots Association (AIPA) criticised the move as "shocking and bitterly disappointing" and a result of failures in Qantas fleet planning processes.³⁰

In contrast, under the proposed Integrated Alliance, the wet lease enables Virgin Australia to quickly and efficiently operate brand new services that would not otherwise be available, and to assess their viability on an appropriate timeline. Virgin Australia has never operated services to Doha and does not currently operate any LHI services, nor does it have the suitable aircraft to do so. The Proposed Conduct is the most efficient and prudent way that Virgin Australia has available to introduce the New Services and to do so as quickly as mid-2025. The timeframe in which Qantas can move to a dry lease in this scenario, given its very different financial resources, established long haul operations, substantial wide-body fleet and existing aircraft orders is simply not comparable. This is particularly so where Qantas' wet lease is utilised on services that it was already operating with Australian crew and had a proven business case for (but chose to instead use a wet lease with Finnair crew).

In any event, the capacity allocated for utilisation via the wet lease will be subject to review by the IASC in five years. Any authorisation of the Proposed Conduct from the ACCC would also be for a five-year time period. If it was determined that either the wet lease or the broader Proposed Conduct were no longer in the public interest at this time, there are opportunities for their reconsideration.

³⁰ Andrew Curran, 'Qantas to wet-lease two A330s from 3Q23', *ch-aviation*, 23 May 2023, available [here](#).

Appendix 1 Virgin Australia's existing relationships with partner airlines

For ease of reference, we set out below an overview of Virgin Australia's existing relationships with partner airlines.

Singapore Airlines

- In 2013 Virgin Australia first entered into a codeshare arrangement (and associated agreements, some of which were entered into earlier, such as the Lounge Access Agreement entered into in 2015), with Singapore Airlines. Under the existing codeshare:
- each of Virgin Australia and Singapore Airlines sells passenger itineraries involving Singapore Airline operated flights or Singapore Airlines and Virgin Australia operated flights sold in connection;
- Singapore Airlines specifies the fares at which Virgin Australia may resupply Singapore Airlines' inventory on Singapore Airlines-operated sectors, whether sold as a standalone itinerary or as part of an itinerary that includes a Virgin Australia-operated segment;
- Velocity members may accrue Velocity Points by travelling on eligible Singapore Airlines operated flights and KrisFlyer members may accrue KrisFlyer miles by travelling on eligible Virgin Australia operated flights. Accrual rates are calculated as a percentage of miles between the destinations flown, with higher fare classes earning a higher percentage;
- Velocity members may redeem Velocity Points for travel on Singapore Airlines operated flights and KrisFlyer members may redeem KrisFlyer miles for travel on Virgin Australia operated flights, subject to excluded routes and inventory control as applied by Virgin Australia and Singapore Airlines to redemptions through the Velocity and KrisFlyer programs respectively;
- Velocity Platinum and Gold members (and one guest) have access to Singapore Airlines operated lounges and third-party partner lounges when travelling on a Singapore Airlines operated flight and PPS Club and KrisFlyer Elite Gold members have access to Virgin Australia lounges when travelling on a Virgin Australia operated flight; and
- Velocity Gold members and above are entitled to priority check in and priority boarding when travelling on Singapore Airlines operated flights with reciprocal rights for PPS Club and KrisFlyer Elite Gold members.

Etihad Airways

On 30 January 2021, Virgin Australia entered into a codeshare arrangement and associated agreements, with Etihad Airways. Under the existing codeshare:

- Virgin Australia does not market Etihad Airways flights and has not done so since 2020.
- Virgin Australia's codeshare with Etihad Airways is limited to Etihad Airways marketing domestic Australia and selected SHI services operated by Virgin Australia with connections onto services between each of Melbourne / Sydney and Abu Dhabi.
- Velocity members may accrue Velocity Points by travelling on eligible Etihad Airways operated flights and Etihad Guest members may accrue Etihad Guest Miles by

travelling on eligible Virgin Australia operated flights. Accrual rates are calculated as a percentage of miles between the destinations flown, with higher fare classes earning a higher percentage;

- Velocity members may redeem Velocity Points for travel on Etihad Airways operated flights and Etihad Guest members may redeem Etihad Guest Miles for travel on Virgin Australia operated flights, subject to excluded routes and inventory control as applied by Virgin Australia and Etihad Airways to redemptions through the Velocity and Etihad Guest programs respectively;
- Velocity Platinum and Gold members (and one guest) have access to Etihad Airways operated lounges and third-party partner lounges when travelling on an Etihad Airways operated flight and Etihad Guest Gold and above members have access to Virgin Australia lounges when travelling on a Virgin Australia operated flight; and
- Velocity Gold members and above are entitled to priority check in (through the Business Class counter) and priority boarding when travelling on Etihad Airways operated flights with reciprocal rights for Etihad Guest Gold and above members.

South African Airways

Virgin Australia entered into a codeshare agreement and reciprocal frequent flyer program agreement with South African Airways in 2014. Under these arrangements, Velocity members can earn and redeem Velocity Points by travelling on eligible South African Airways operated flights and Voyager members may accrue Miles by travelling on eligible Virgin Australia operated flights. Accrual rates are calculated as a percentage of miles between the destinations flown, with higher fare classes earning a higher percentage.

Velocity Platinum and Gold members (and one guest) have access to South African Airways operated lounges when travelling on a South African Airways operated flights and Voyager Gold and Platinum members have access to Virgin Australia lounges when travelling on Virgin Australia operated flights. Velocity Gold members and above are entitled to priority check in and priority boarding when travelling on South African Airways operated flights with reciprocal rights for Voyager Gold and Platinum members. Velocity Gold members and above are entitled to priority check in.

There will be no change to this relationship as a result of the Proposed Conduct.

Virgin Atlantic

Virgin Australia and Virgin Atlantic both operate under the Virgin brand though they are not otherwise affiliated. The codeshare arrangement between Virgin Australia and Virgin Atlantic was first launched in March 2018 when Virgin Australia commenced services between Australia and Hong Kong and the reciprocal frequent flyer program agreement was launched in 2010. Virgin Australia and Virgin Atlantic entered into a subsequent codeshare arrangement in 2019. Under these arrangements, Velocity members can earn and redeem Velocity Points by travelling on eligible Virgin Atlantic operated flights and Flying Club members can earn and redeem Virgin points with eligible Virgin Australia operated flights. Gold-tier Flying Club members who travel with Virgin Australia will receive priority check-in, priority boarding and lounge access.

There will be no change to this relationship as a result of the Proposed Conduct.