



ACCC
AUSTRALIAN COMPETITION
& CONSUMER COMMISSION

Domestic airline competition in Australia

November 2024



Acknowledgement of Country

The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

Australian Competition and Consumer Commission
Land of the Ngunnawal people
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Contents

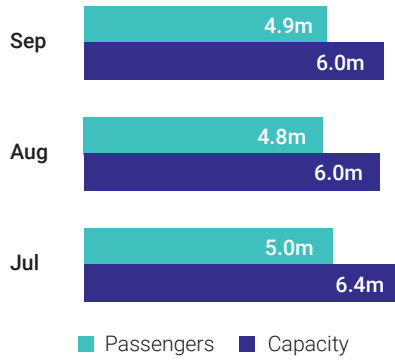
Glossary	iii
Key results	iv
Key industry insights and developments	v
Executive Summary	1
1. Introduction	3
1.1 Government direction to monitor domestic airline services	3
2. Industry Developments	4
2.1 Domestic airfares rise after Rex reduces its operations	4
2.2 Qantas Group and Virgin Australia report strong results in 2023–24	5
2.3 Qantas ordered to pay penalties after misleading consumers	6
2.4 International travel grows, while international airfares continue to fall	6
2.5 Aviation White Paper sets out government policies for the aviation sector	7
2.6 The ACCC does not object to Airservices Australia’s proposed price increase	8
2.7 Treasury finds competition reduces airfares	9
3. Industry activity and reliability of performance	10
3.1 Rex’s exit reduces capacity levels while passenger numbers remain stable	10
3.2 Service reliability fluctuated in recent months	12
4. Competition	14
4.1 Competitive dynamics have changed dramatically in the past 12 months	14
5. Airfares and jet fuel prices	16
5.1 Airfares increase, particularly on Major City routes	16
5.2 Jet fuel prices lowest since September 2021	18
6. Regional domestic airlines	20
6.1 Smaller airlines provide essential services to regional and remote Australia	20
6.2 Characteristics of regional airline groups	21
6.3 Regulated routes are important to the viability of regional airlines	23
6.4 Regional airlines also offer charter and leasing services	24

Glossary

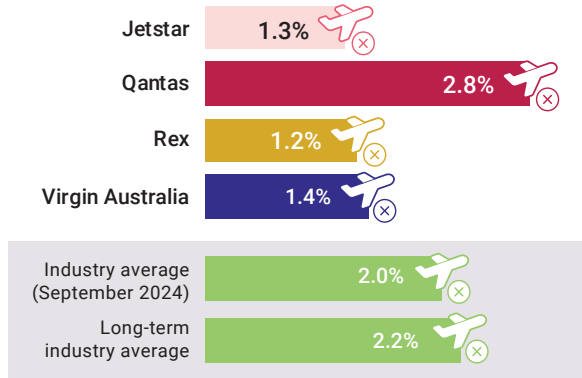
ABS	Australian Bureau of Statistics
BITRE	Bureau of Infrastructure and Transport Research Economics
CCA	<i>Competition and Consumer Act 2010</i> (Cth)
Golden Triangle routes	Flights between Sydney, Melbourne and Brisbane airport.
Load factor	The total number of passengers as a proportion of the total number of seats flown.
Low-cost carrier (LCC)	Airlines that specialise in keeping operating costs low and without some of the more traditional amenities such as in-flight meals included in the fare, meaning they can potentially offer lower airfares.
Major City routes	Classified using the ABS Australian Statistical Geography Standard Edition 3 (ABS 2021 version). Routes where both airports are in Major Cities of Australia. Refer to Appendix for a list of routes by route type and airports by remoteness.
Qantas	Qantas domestic passenger airlines that include Qantas Domestic and QantasLink airlines.
Qantas Group	Qantas domestic passenger airlines that include Qantas Domestic, Qantas Link and Jetstar Domestic airlines.
Regional routes	Classified using the ABS Australian Statistical Geography Standard Edition 3 (ABS 2021 version). Routes where at least one airport is in Inner Regional Australia or Outer Regional Australia, but not in Remote or Very Remote Australia. Refer to Appendix for a list of routes by route type, and airports by remoteness.
Regular Public Transport (RPT)	All air service operations in which aircraft are available for the transport of members of the public and are conducted in accordance with fixed schedules. It does not include charter and other non-scheduled operations.
Remote routes	Classified using the ABS Australian Statistical Geography Standard Edition 3 (ABS 2021 version). Routes where at least one airport is in Remote or Very Remote Australia. Refer to Appendix for a list of routes by route type, and airports by remoteness.
Revenue passenger-kilometres (RPKs)	Calculated by multiplying the number of paying passengers travelling on each flight stage, by the distance in kilometres between the ports.
Turboprop	An alternative to a jet characterised by a propeller-powered engine. In Australia, turboprop aircraft typically service Regional and Remote routes.
Virgin Australia	Virgin Australia domestic passenger airlines that included Virgin Australia and Virgin Australia Regional Airlines (VARA). Virgin Australia also operated Tigerair until March 2020.

Key results

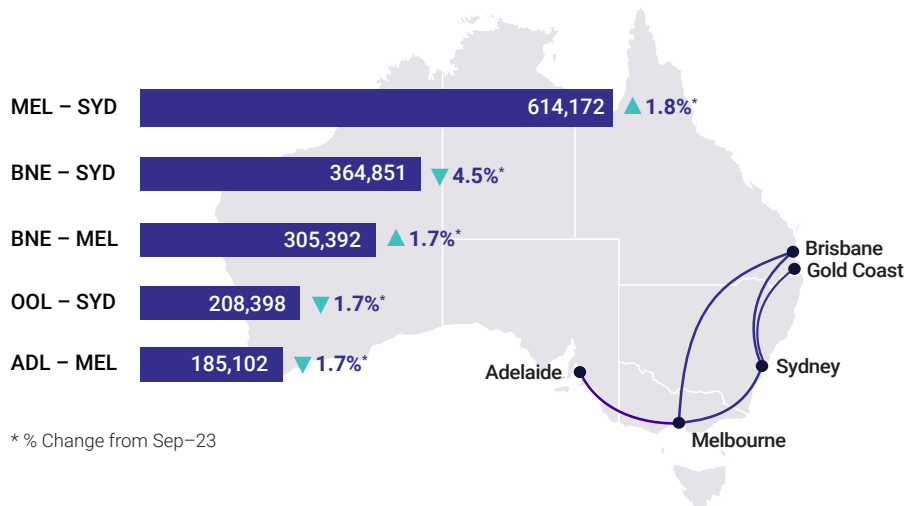
Passenger levels and seat capacity – September 2024



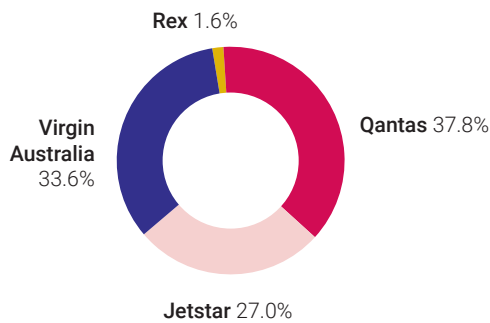
Flights cancelled – September 2024



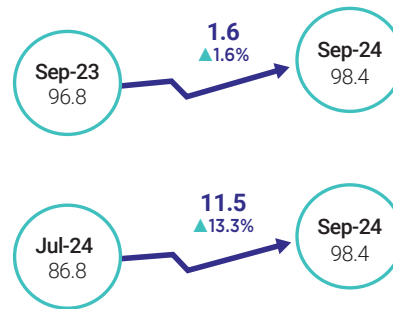
Busiest domestic routes by passenger levels – September 2024



Passenger market share as at September 2024



Real average revenue per passenger index on Major City routes*



* Index (Sep-19 = 100)

Key industry insights and developments



Exit of Rex from major domestic routes has reduced total industry capacity

Since Rex suspended operations on Major City routes in July 2024, domestic seat capacity fell by 6.0% to September 2024, and by 1.8% compared to the year prior. Meanwhile, domestic passenger numbers have remained relatively stable, leading to fuller flights.



Airfares on Major City routes have been rising in recent months

Since July 2024, airfares have increased, particularly on Major City routes. Real average revenue per passenger on these routes increased by 13.3% to September 2024. The increase coincides with less competition after Rex's exit from many of these routes, an increase in seasonal demand during September and fuller flights.



Greater market concentration will have consequences for consumers

Since Bonza went into liquidation and Rex withdrew from major domestic routes, there is no longer any route on Australia's domestic network serviced by more than 2 major airline groups. Qantas Group and Virgin Australia have since serviced 98% of domestic passengers. It may be some time before a new airline emerges as a serious third competitor, which is likely to result in higher airfares and reduced choice for consumers.



Qantas Group and Virgin Australia both report strong financial results for 2023–24

Qantas Group reported strong performance in 2023–24, with underlying earnings before interest and tax (EBIT) of \$2.28 billion across the business. Of this, the domestic operations of Qantas and Jetstar contributed \$1.06 billion and \$298 million respectively. Virgin Australia reported an underlying EBIT of \$519 million, with its airline business contributing \$392 million.



Airline service reliability has fluctuated in recent months

The industry average cancellation rate worsened from 2.1% in May 2024 to 3.0% in July. It has since improved to 2.0% in September. The industry on-time arrival rate improved slightly from 71.1% in July to 75.5% in September.

Executive Summary

Since Rex entered voluntary administration in late July 2024, the domestic airline industry has become even more concentrated. Dominant market player, Qantas Group, serviced 65% of Australia's domestic passengers in September 2024 with either its Qantas or Jetstar brands, while Qantas Group and Virgin Australia combined, serviced 98% of passengers. It may be some time before a new airline emerges to compete on the busy city routes, with normal barriers to entry and growth exacerbated by aircraft fleet supply chain issues and pilot and engineer shortages.

In July 2024, Rex accounted for 6.0% of seat capacity and 4.9% of passengers on all Major City routes. Following Rex's exit, total capacity across all Major City routes fell by 6.0% between July and September 2024, and by 1.8% compared to September 2023. This shows that the other airlines have not sought to replace the capacity taken out of the sector by Rex. Meanwhile, passenger levels have remained relatively stable, with Rex passengers shifting to other airlines. This is evidenced by higher load factors recorded by both competing airline groups in recent months.

On an aggregate level, real airfares have also trended upwards since July. And real average revenue per passenger across all Major City routes increased by 13.3% from July to September 2024, and 1.6% compared to September 2023. There was also increased demand for air travel in September 2024 due to school holidays and major sporting events such as the Australian Football League Grand Final.

Compared to 12 months prior, domestic fares have remained at similar levels. While average revenue per passenger was slightly higher in nominal terms (+2.6%) in September 2024, there was no change in real terms (-0.2%). This has occurred despite jet fuel prices, which typically contributes between 15–25% to an airline's operating costs, falling by 41% over the same period.

In contrast, Flight Centre's FCM Travel and Corporate Traveller showed that the average cost of an international economy airfare departing from Australia decreased on average by 5–10% from July–September 2023 to July–September 2024.

As found in a recent Treasury working paper¹, there are observable impacts on airfares with greater competition. The presence of an additional airline on a route can reduce airfares by 5 to 10 per cent. The recent reduction in competition, particularly on domestic routes that carry a majority of passengers (59.6% in September 2024), raises concerns with respect to its impact on airfares, consumer choice and service reliability.

The ACCC will continue to closely monitor domestic airfares on the routes Rex withdrew from, as well as airfares on regional and remote routes on which Rex continues to operate.

Separate data from the Bureau of Infrastructure and Transport Research Economics (BITRE) also shows some significant impacts that may be related to the loss of a challenger airline on the most popular services. Business and Restricted Economy fares² have increased significantly, compared to best discount airfares. This in part reflects the drop in leisure demand and increase in business demand in recent months, as well as the relative price elasticity of these markets.

In contrast to the experience of Rex and Bonza, 2023–24 was a very strong year for the 2 major domestic airline groups. Qantas Group reported underlying earnings before interest and tax (EBIT) of \$2.28 billion across the business, of which the domestic operations of Qantas and Jetstar contributed

1 Treasury, [How competition impacts prices: the Australian aviation sector](#), 26 August 2024, accessed 20 September 2024.

2 Business fares means business class fares sold by Qantas and Virgin Australia. Restricted Economy fares means flexible fares sold by Qantas, Rex and Virgin Australia.

\$1.06 billion and \$298 million respectively. Meanwhile, Virgin Australia reported an underlying EBIT of \$519 million across its business in 2023–24, with its airline operations contributing \$392 million.

There have been some fluctuations in service reliability in recent months. At 2.1% in May 2024, the industry average cancellation rate outperformed the long-term industry average cancellation rate of 2.2% for the first time since October 2020. The industry average cancellation rate worsened to 3.0% in July 2024, but has since improved to 2.0% in September 2024. Qantas was the only airline to perform worse than the industry average, recording a cancellation rate of 2.8% in September. The industry average on-time arrival rate has improved slightly, from 71.1% in July 2024 to 75.5% in September 2024. Despite the improvement however, the rate remained worse than the long-term industry average of 80.8%.

Demand for travel to and from Australia has continued to grow, with many international airlines adding capacity on these routes, while international airfares have continued to fall. Analysis from the ABS showed that total arrivals and departures to and from Australia increased by 7.2% and 11.7% respectively in the 12 months to August 2024.

In August 2024, the Australian Government announced its reforms to the aviation sector in its Aviation White Paper. Some of these initiatives aim to create better competitive conditions for the domestic market, including through reforms to the Sydney Demand Management Scheme. Others will enhance the rigour to which airlines are held to account with respect to consumer outcomes, such as through the Aviation Industry Ombuds Scheme.

The ACCC provided its views on the Ombuds Scheme Consultation Paper in October. The ACCC broadly welcomes these reforms, as well as the intention to improve transparency through increased monitoring of the sector. We look forward to further consultation with government as work on these reforms progress.

1. Introduction

1.1 Government direction to monitor domestic airline services

The Australian Competition and Consumer Commission (ACCC) is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses, and the Australian community. The primary responsibilities of the ACCC are to enforce compliance with the competition, consumer protection, fair trading and product safety provisions of the *Competition and Consumer Act 2010* (Cth) (CCA), regulate national infrastructure and undertake market studies.

On 6 November 2023 the Treasurer [directed](#) the ACCC to recommence domestic air passenger transport monitoring under subsection 95ZE(1) of the CCA. This follows the direction issued to the ACCC by the former Treasurer, which expired in June 2023.

Under the direction the ACCC is to monitor prices, costs and profits relating to the supply of domestic air passenger transport services for 3 years and to report on its monitoring at least once every quarter. The direction applies until December 2026.

In announcing the direction, the Treasurer stated that ACCC market scrutiny will help ensure airlines compete on their merits and bring to light any inappropriate market conduct should it occur. The Treasurer also said that the direction will assist in providing continued transparency at a time when new and expanding airlines are still trying to establish themselves.³

The ACCC's monitoring and reporting on the domestic airline industry is separate but related to its enforcement of competition law under Part IV of the CCA. We will prioritise investigations about anti-competitive agreements and practices, and the misuse of market power. We will consider enforcement action where we form the view that conduct is likely to breach the CCA. Should the ACCC find that the level of competition within the industry is insufficient to meet the needs of consumers or identify anti-competitive behaviour that falls short of thresholds for enforcement action we will recommend potential policy options to government to improve competition.

Under section 95ZK of the CCA, the ACCC can compel airlines to give information and produce documents to the ACCC relevant to that airline's supply of domestic air passenger transport services. We have established arrangements for the Qantas Group (including Jetstar), Rex and Virgin Australia to voluntarily provide their monthly and quarterly data to the ACCC.⁴ These airline groups supply close to all regular domestic air passenger services in Australia. On occasion we also seek qualitative information from the airlines, such as Board papers about company strategy.

The ACCC has legislative obligations in relation to its management and disclosure of confidential information.⁵ In accordance with these obligations the public monitoring reports will present only some of the information collected from the airlines.

3 The Hon Dr Jim Chalmers (Treasurer), [ACCC directed to monitor domestic air passenger services](#), 18 October 2023.

4 Arrangements were also made to collect data from Bonza between February 2023 and March 2024 inclusive.

5 ACCC, [ACCC/AER information policy](#), 4 June 2014.

2. Industry Developments

2.1 Domestic airfares rise after Rex reduces its operations

Passengers are already feeling the impact of Rex's exit from Major City routes through less choice and higher airfares. The loss of Rex as a third competing airline group on many routes has meant passengers no longer have the lower cost options provided by Rex. It may also have significant lasting impacts on the domestic aviation sector. Both Qantas Group and Virgin Australia are likely to strengthen their market positions as a result (approximately 2 thirds and 1 third share of passengers respectively). Furthermore, with less competition, there is less incentive for Qantas Group and Virgin Australia to offer lower air fares to their customers on these routes.

On 31 July 2024 Rex entered voluntary administration, cancelling flights on its metropolitan city routes but continuing to operate its regional routes. The government also announced that it would guarantee regional flight bookings for Rex customers throughout the voluntary administration process.⁶

In August 2024, Ernst & Young sought an extension of the administration until November 2024 to provide a chance of a better return for Rex's creditors.

On 24 October 2024, Ernst & Young announced the agreement to sell Pel-Air, Rex's air charter and ambulance operations, to Helicorp Pty Ltd, part of Toll Aviation. Proceeds of the sale will be used by Rex to repay secured debt.⁷ As at the end of October 2024, no other buyers had emerged to take on Rex's remaining business.⁸

Prior to these developments, Rex serviced 44 routes. Of these, 11 routes were between major cities and 33 were to regional and remote locations. Rex competed with Qantas Group, or Qantas Group and Virgin Australia, on 24 of these routes. Refer to Appendix for a list of routes serviced by Rex. However, since Bonza went into liquidation and Rex scaled back its services, no route on Australia's domestic network is currently serviced by more than 2 competing major airline groups.

Rex accounted for 6.9% of seat capacity and 5.0% of total domestic passengers before it entered voluntary administration, and was able to capture a greater share of passengers on some of the more popular routes. On Major City routes, Rex accounted for 6.0% of seat capacity and 4.9% of passengers. On routes such as Melbourne – Sydney, Brisbane – Sydney, and Adelaide – Brisbane, Rex accounted for up to 9.0% of passengers.

Since then, there has been a 7.1% increase in passenger volume for Virgin Australia on routes that Rex operated. Passenger volume for Qantas on these routes also increased by 4.3% while Jetstar's remained unchanged. Qantas Group and Virgin Australia aided impacted customers by rebooking passengers on an equivalent service at no charge.⁹

6 The Hon Catherine King MP, [Flight guaranteed for regional Rex customers](#), [media release], 15 August 2024.

7 The Hon Catherine King MP, [Sale of Pel-Air](#) [media release], 24 October 2024, accessed 29 October 2024.

8 R Ironside, ['No buyers for Rex's regional airline two months into voluntary administration process'](#), *The Australian*, 30 September 2024, accessed 31 October 2024.

9 J Nelson, ['Qantas and Jetstar will also rebook Rex passengers for free'](#), *Australian Aviation*, 31 July 2024, accessed 20 September 2024.

Total capacity on Major City routes fell by 6.0% between July and September 2024, and by 1.8% compared to September 2023. Seat capacity on the routes that Rex previously operated grew for Virgin Australia (by 2.3%) and fell for both Qantas and Jetstar (by 0.4% and 2.7% respectively) from July 2024 to September 2024. The industry-wide average load factor, measured by the percentage of available seats filled by passengers, increased by 2.6 percentage points over the same period to 81.2% in September 2024. Of the routes Rex ceased operating, load factors for Virgin Australia increased the most (by 3.9 percentage points), followed by Qantas (3.6 percentage points) and Jetstar (2.4 percentage points).

Real revenue per passenger on Major City routes increased after Rex's exit, by 13.3% between July and September 2024, and by 1.6% compared to September 2023.¹⁰ While this corresponds with stronger demand for air travel with the school holidays and major sporting events including the Australian Football League Grand Final weekend in September 2024, it partly also reflects reduced competition and choice on these routes.

2.2 Qantas Group and Virgin Australia report strong results in 2023–24

Qantas Group and Virgin Australia have reported strong results in 2023–24 across both their flying businesses and loyalty programs.

Underlying earnings before interest and tax (EBIT) is the reporting measure used by airlines to accurately assess performance across their passenger flying businesses and loyalty programs. The Qantas Group reported \$2.28 billion in underlying EBIT for 2023–24. This was the second consecutive financial year that this measure exceeded \$2 billion, following a record \$2.68 billion reported for the previous year. These results capture performance across the whole business, including international and domestic flying, freight and loyalty programs.

Of total Underlying EBIT, Qantas Domestic reported \$1.06 billion and Jetstar Domestic contributed \$298 million. Capacity on the Jetstar domestic network increased by 15% in 2023–24 as demand for low fares strengthened, whilst Qantas' domestic network remained relatively stable, increasing by 1%.¹¹

Virgin Australia reported \$519 million in Underlying EBIT for 2023–24. This was an 18.2% increase from 2022–23 which was also the first time Virgin Australia delivered a profit in 11 years,¹² and was driven by an 8.2% increase in Virgin Australia's airline business Underlying EBIT to \$392 million.

Both the Qantas Group and Virgin Australia's Frequent Flyer programs continued to perform strongly. The Qantas Frequent Flyer program reported an Underlying EBIT of \$511 million for 2023–24, recording a 14% increase in the number of active users compared to 2022–23. Virgin Australia's Velocity Frequent Flyer program reported an underlying EBIT of \$115 million, with a 13% increase in the number of active users.

The 2023–24 financial results for the 2 major domestic airline groups reflect earnings from a period of greater competition in the industry. In October 2024, the Qantas Group reported that it expects more favourable market conditions for the first half of 2024–25, with higher than forecast growth in revenue per average seat kilometre (RASK).

¹⁰ In August 2024, Virgin Australia flew approximately 127,000 Rex passengers free of charge. These numbers are included in the passenger figures that month.

¹¹ Qantas Group, [Qantas annual report 2024](#), 12 September 2024.

¹² Virgin Australia, [Virgin Australia delivers strong FY24 results, driven by ongoing transformation](#), 14 October 2024, accessed 30 October 2024.

Meanwhile Qatar Airways Group announced its intention to acquire a 25% stake in Virgin Australia from Bain Capital on 1 October 2024.¹³ Virgin Australia said the proposed acquisition would provide access to scale and strengthen their financial resilience. It expects that the existing codeshare arrangement with Qatar Airways would expand and offer improved connectivity, particularly on long-haul international routes. The proposed plan, including the acquisition and interim authorisation is subject to regulatory approval, including by the Foreign Investment Review Board and the ACCC.

2.3 Qantas ordered to pay penalties after misleading consumers

On 8 October 2024 Qantas was ordered by the Federal Court to pay \$100 million in penalties for misleading consumers by offering and selling tickets for flights it had already decided to cancel, and by failing to promptly tell existing ticketholders of its decision, in a case brought by the ACCC.

In addition to the \$100 million in penalties, Qantas has agreed to pay around \$20 million to consumers who made bookings on flights that Qantas had already decided to cancel, or were reaccommodated onto these flights after the cancellation of another flight. Consumers who made a booking (or were reaccommodated) on a flight two or more days after a decision had already been made to cancel that flight are eligible to receive payments of \$225 for domestic/trans-Tasman passengers or \$450 for international passengers. These payments are in addition to any remedies consumers already received from Qantas, such as alternative flights or refunds.

Affected customers should check their emails for communications from Qantas and Deloitte, which they should have received if they are eligible to make a claim. Consumers have until 6 May 2025 to submit their claim for a payment through the [Qantas Customer Remediation Program](#).

2.4 International travel grows, while international airfares continue to fall

Recent data from Flight Centre showed that the cost of an international economy airfare departing from Australia decreased on average by 5–10% between July–September 2023 and July–September 2024.¹⁴ Flights to the United Arab Emirates, Qatar, France, the United Kingdom, and Italy had the largest decrease in fares.

Demand for international travel has increased over the last year. Analysis from the ABS showed that total arrivals and departures to and from Australia increased by 7.2% and 11.7% respectively in the 12 months to August 2024. Short-term arrivals into Australia increased by 9.2% over this period, with all states and territories experiencing growth. The states which experienced the largest growth in international arrivals over August 2023 to August 2024 were South Australia and Western Australia (17.7% and 17.6% respectively).¹⁵

13 Virgin Australia, [Qatar Airways Group announces intention to acquire 25% minority stake in Virgin Australia](#), 1 October 2024, accessed 1 October 2024.

14 Travel Weekly, [Flight Centre corporate data reveals cost of outbound airfares on the decline](#), Travel Weekly, 16 October 2024, accessed 21 October 2024.

15 ABS, [Overseas Arrivals and Departures, Australia](#), 15 October 2024, accessed 28 October 2024.

In response to the growth in international travel demand, several Asian-based airlines, including Philippine Airlines and Thai Airways, have increased their Australian capacity beyond pre-pandemic levels and see potential for further expansion. Notably:

- VietJet, which only entered the Australian market in April 2023, now has the largest Australia-Vietnam capacity, and
- Thai Airways' capacity between Bangkok and Australia, as measured in one-way weekly seats, was 16.3% higher in September 2024 compared to September 2019.¹⁶

Executives from Philippine Airlines, Thai Airways, Vietjet and Air India highlighted negotiating additional capacity under bilateral air services agreements, visa processes and aircraft availability as key constraints to future capacity growth.¹⁷

2.5 Aviation White Paper sets out government policies for the aviation sector

The government has set out its long-term policies for the aviation sector with the release of its Aviation White Paper on 26 August 2024. The publication reflects the culmination of a series of stakeholder consultation processes which commenced in early 2023.

Recognising the high level of consumer complaints about the airline sector in recent years, the White Paper contains key measures to strengthen protections for consumers, including the Aviation Industry Ombuds Scheme.

Some initiatives contained in the White Paper that were designed to promote or protect competition between airlines had already been announced by the government. In late 2023, the ACCC received a direction to monitor domestic airline services to the end of 2026, while a package of reforms to the Sydney Airport Demand Management Scheme was announced in February 2024. One of the reasons behind the reforms was to make it harder for airlines to hold on to more take-off and landing slots at the airport than they needed, therefore making more slots available for new and expanding airlines.

In relation to international air services, the White Paper said that the government would seek to negotiate additional capacity in bilateral air service agreements with other countries and negotiate 'open skies'-style agreements where it is in Australia's interests. These outcomes would benefit consumers through additional choice and competition on routes to and from Australia.

The White Paper also considered the market power of airports and their regulatory oversight. In relation to the monitoring of the major airports by the ACCC, the government said that it would conduct a cost-benefit analysis to consider whether to require the airports to provide more detailed disaggregated data about airport revenue, costs and assets, and whether a revised set of quality-of-service indicators is warranted. The ACCC provided recommendations on both matters in May 2023 following a request from government.

The government will also consult on proposed amendments to the Aeronautical Pricing Principles, which set out its expectations for how airports should approach the setting of prices for airlines. The proposed amendments would specify that (a) pricing agreements between airports and airlines should not contain anti-competitive clauses, such as those that restrict the airport from offering discounted rates to another airline, and (b) airports should provide such information and data to the airlines as is necessary to ensure transparent pricing negotiations.

16 CAPA – Centre of Aviation, [Overseas airlines see strong growth potential in Australia; part one: when the new widebodies arrive](#), 30 September 2024, accessed 31 October 2024; CAPA – Centre of Aviation, [Overseas airlines see strong growth potential in Australia; part two: challenges and opportunities](#), 2 October 2024, accessed 31 October 2024.

17 CAPA – Centre of Aviation, [Overseas airlines see strong growth potential in Australia; part one: when the new widebodies arrive](#), 30 September 2024, accessed 31 October 2024.

Introduction of the Sydney Airport Demand Management Amendment Bill 2024

The reforms to the Sydney Airport Demand Management Scheme, which the government announced in February 2024, seek to improve the scheme's compliance and enforcement framework and ensure that slots at the airport are allocated in a more competitive manner. The ACCC considers that the measures announced in February 2024, if implemented effectively, would help support greater airline competition, and therefore, improved consumer outcomes.

On 9 October 2024, the government introduced the Sydney Airport Demand Management Amendment Bill 2024 to implement the reforms. On 10 October 2024, the Bill was referred to the Senate Standing Committee on Rural and Regional Affairs and Transport for inquiry, with the Committee's findings due by 14 November 2024.

The ACCC welcomes the introduction of the Bill, which is a key procedural step for enacting the reforms. We understand that the more technical aspects of the reforms will be enacted through delegated (subordinate) legislation that is yet to be released. We look forward to engaging with the government on implementing the reforms.

Aviation Industry Ombuds Scheme

On 26 August 2024, the government released a consultation paper seeking stakeholder views on the design and implementation of the Aviation Industry Ombuds Scheme. We provided a submission to the government as part of the consultation process, in which we expressed strong support for the government's commitment to establish an industry-funded Aviation Industry Ombuds Scheme, underpinned by legislation. We consider that establishing a new aviation industry ombuds scheme will provide more effective handling of customer disputes than the ineffective Airline Customer Advocate.

The government has committed that the ombuds scheme will introduce a new Aviation Customer Rights Charter, setting out what the ombudsperson considers to be reasonable conduct by airlines and airports, giving customers greater clarity and confidence about what they are entitled to when services are not provided as expected. The ACCC also supports the concept of a charter, to complement, rather than replace consumers' rights under the Australian Consumer Law.

The ACCC also supports the 'show cause' arrangements, which will require airlines to explain the reasons for delays and cancellations, increasing transparency and public accountability for on-time performance. We also support the proposal that the ombudsperson will have the ability to obtain additional information from the airlines on cancellations and delays, to assist in resolving disputes.

2.6 The ACCC does not object to Airservices Australia's proposed price increase

Following a decision by the ACCC, Airservices Australia is expected to increase prices it charges airlines for its air traffic control and aviation rescue and fire-fighting services on 1 December 2024, if accepted by the Minister. Airservices last increased its prices by 0.4% in 2015 and reduced prices by 2% in 2019.

On 10 July 2024, Airservices provided a draft price notification to the ACCC proposing a 6% weighted average price increase. On 29 August 2024, the ACCC published a preliminary view not to object to the price increase on the basis that it is unlikely to lead to an over-recovery of costs.¹⁸

On 1 October 2024, Airservices submitted a formal price notification proposing the same increase. The ACCC published its decision not to object to the formal price notification on 16 October 2024.

Airservices notified the Minister of its proposed price increase on 21 October 2024. Airservices is expected to increase its price on 1 December 2024, if the Minister approves or does not disapprove of the price increase within 30 days of being notified.

Airservices has indicated it will develop a long-term pricing agreement for its next price notification covering the period starting 2026–27. The next notification is expected to include a significant capital expenditure component, including investments related to the OneSKY air traffic management system, Western Sydney International Airport, and new runway developments.

2.7 Treasury finds competition reduces airfares

The Australian Treasury published a working paper titled ‘How competition impacts prices: the Australian aviation sector’¹⁹ on 26 August 2024. The paper uses microdata and econometrics to examine the evolution of aviation competition in Australia and its impact on domestic airfares.

The paper finds increased competition leads to reduced airfares, noting that the presence of an additional airline on a route can reduce airfares by 5 to 10% and falling further with every additional airline – sometimes more than 15%. The report finds when a route is serviced by a monopoly carrier, consumers pay about 40 cents per km, falling to 28 cents when two airlines are present and 19 cents for three airlines. The results also suggest that increased competition can lower airfare growth.²⁰

Further, Qantas’ economic behaviour strongly determines the overall results. The paper finds Qantas has a different response to the entry of Jetstar and a non-affiliated airline on a route. Qantas reduces airfares when a non-affiliated airline enters a route, whereas it increases airfares when Jetstar enters. This suggests Jetstar’s presence allows Qantas to exercise a greater degree of price discrimination.²¹

18 See [Statement of regulatory approach to assessing price notifications under Part VIIA of the Competition and Consumer Act 2010](#).

19 Treasury, [How competition impacts prices: the Australian aviation sector](#), [working paper], 26 August 2024, accessed 20 September 2024.

20 Treasury, [How competition impacts prices: the Australian aviation sector](#), [working paper], 26 August 2024, accessed 20 September 2024, p 2, 13.

21 Treasury, [How competition impacts prices: the Australian aviation sector](#), [working paper], 26 August 2024, accessed 20 September 2024, p 2.

3. Industry activity and reliability of performance

This chapter analyses domestic airline passenger numbers, seat capacity and rates of flight cancellations and delays.

The Qantas Group (comprising Qantas and Jetstar), Rex, Virgin Australia (including Tigerair until June 2020) and Bonza (until March 2024) supplied the ACCC monthly passenger and seat capacity data up to September 2024 to inform our analysis in section 3.1.

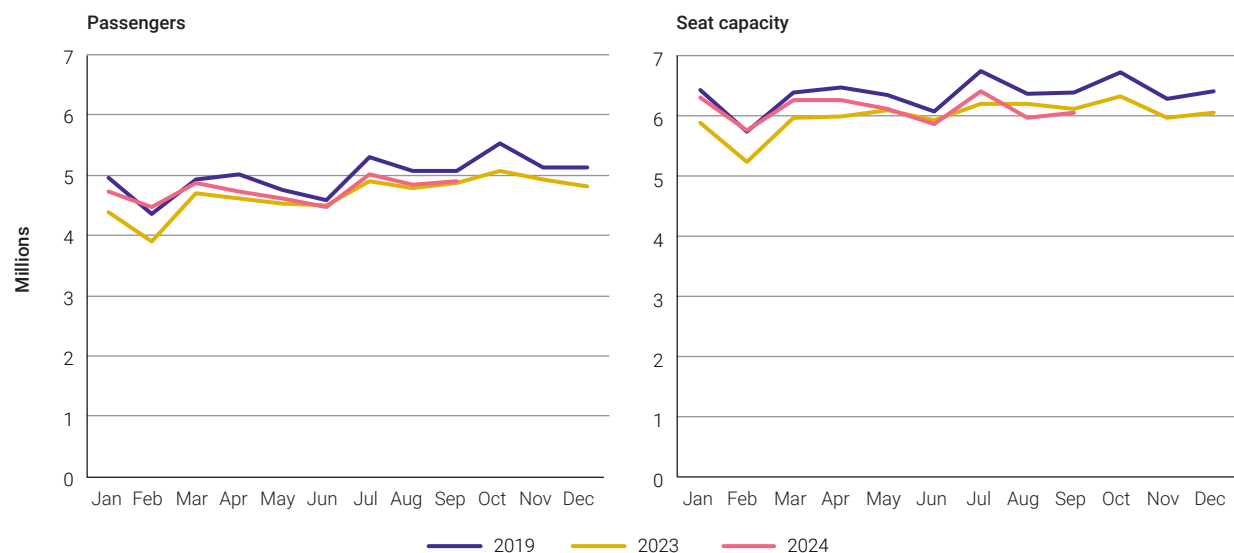
Additionally, section 3.2 includes analysis of cancellation rates and on-time performance using BITRE data up to September 2024.

3.1 Rex’s exit reduces capacity levels while passenger numbers remain stable

Rex’s termination of its Major City services has led to a reduction in seat capacity while overall passenger levels remained consistent in August and September 2024.

Figure 1 shows the monthly passenger levels and seat capacity for 2019, 2023 and 2024. While passenger levels for July to September 2024 align quite closely with 2023 levels, the chart illustrates a reduction in seat capacity compared to 2023 levels.

Figure 1: Monthly passenger levels and seat capacity – 2019, 2023 and 2024



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

The domestic airline industry carried 4.9 million domestic passengers in September 2024. This was relatively consistent (0.6% higher) with September 2023 levels and represented 96.8% of September 2019 levels.

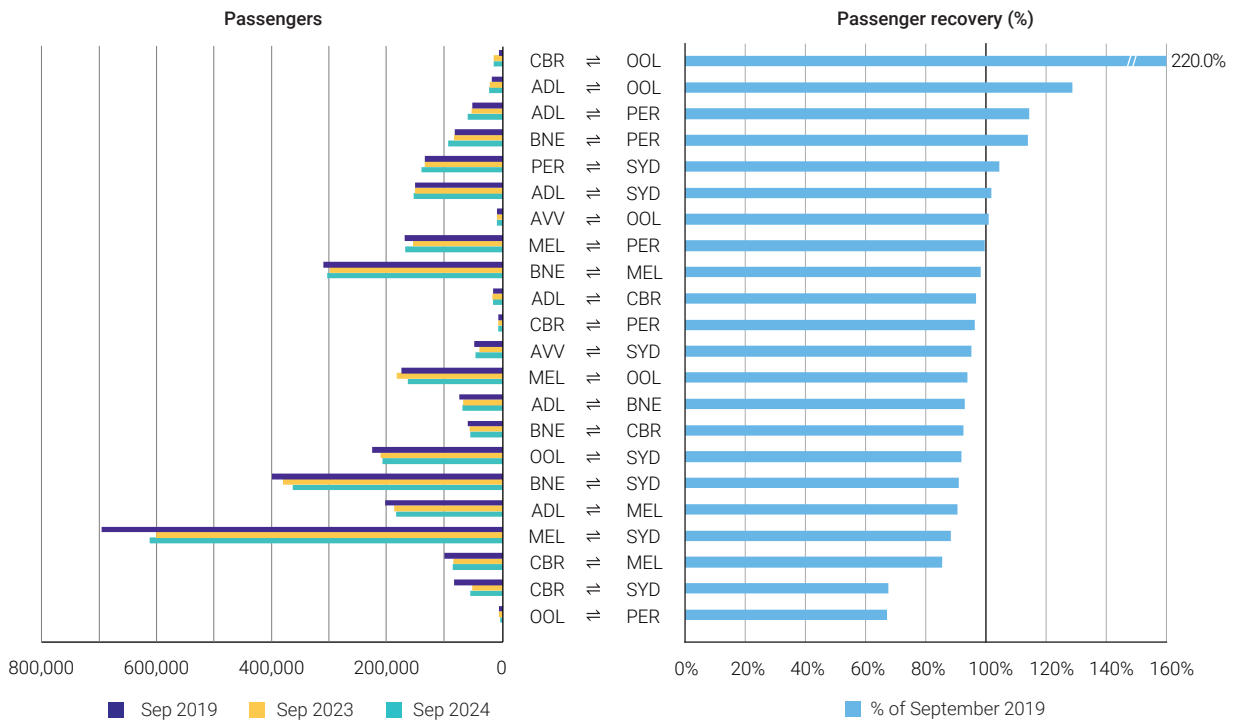
The airlines flew 6.0 million seats in September 2024, which was a decline of around 77,000 seats (or 1.3%) from September 2023 and a decline of 343,000 seats (5.4%) from September 2019. The effects of a more concentrated market in recent months have reduced passenger choice.

The industry-wide average load factor, measured by the percentage of available seats filled by passengers, increased slightly in September 2024 to 81.2%, making it the highest load factor so far this year. This was 1.5 percentage points higher than in September 2023 and 1.9 percentage points higher than in September 2019.

It is likely that passengers who would have ordinarily flown with Rex switched over to other airlines and were absorbed into their existing flight schedules which resulted in minimal changes to overall passenger numbers and higher load factors. This compares to the impacts observed when Bonza collapsed. Bonza’s passengers were travelling on routes that were exclusively serviced by the carrier, making it difficult for those passengers to be absorbed by other airlines.

Figure 2 ranks routes connecting larger cities by comparing passenger levels to September 2023 and September 2019. In September 2024, 7 routes exceeded 100% of 2019 passenger levels, including 6 routes to and from the Gold Coast and Perth.

Figure 2: Passenger levels on routes connecting larger cities – September 2019, 2023 and 2024



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Note: CBR – OOL has 220.0% passenger recovery.

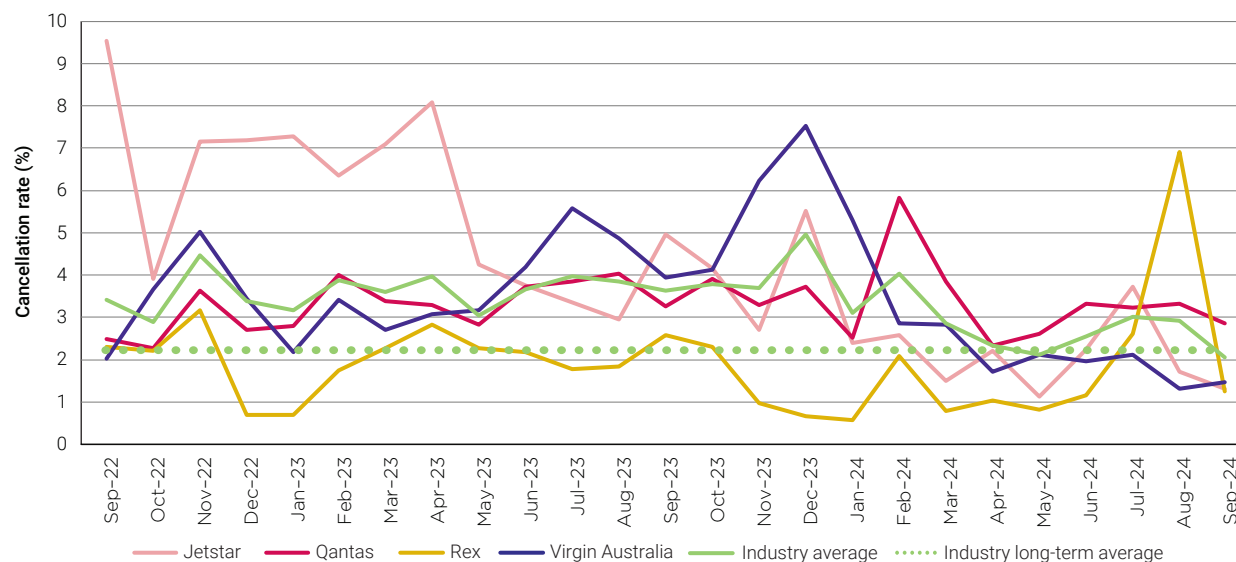
Passenger volumes in September 2024 have improved for the Golden Triangle routes connecting Brisbane, Melbourne, and Sydney with 2 of the 3 routes exceeding September 2023 levels. Melbourne – Sydney continues to be the busiest route with over 614,000 passengers, representing 12.5% of all domestic passengers. However, when comparing September 2024 to September 2019, only 7 routes exceeded 100% of pre-pandemic passenger levels, including 6 routes to and from the Gold Coast, and Perth, and no routes on the Golden Triangle.

3.2 Service reliability fluctuated in recent months

Service reliability has fluctuated in recent months, with cancellation rates trending below the long-term industry average in September 2024.

Figure 3 shows the monthly cancellation rates for each of the monitored airlines compared to the industry average. The data only includes flights that are cancelled within 7 days of the departure date, which means it may underrepresent the degree to which flights have been cancelled.

Figure 3: Airline cancellation rates – September 2022 to September 2024



Source: BITRE, On-time performance time series – September 2024. Qantas figures include QantasLink and Virgin Australia figures include VARA.

Note: A flight is regarded as a cancellation if it is cancelled or rescheduled less than 7 days prior to its scheduled departure time.

At 2.1% in May 2024, the industry average cancellation rate outperformed the long-term industry average cancellation rate of 2.2% for the first time since October 2020. The industry average cancellation rate however worsened to 3.0% in July 2024, but has since improved to a new low of 2.0% in September 2024.

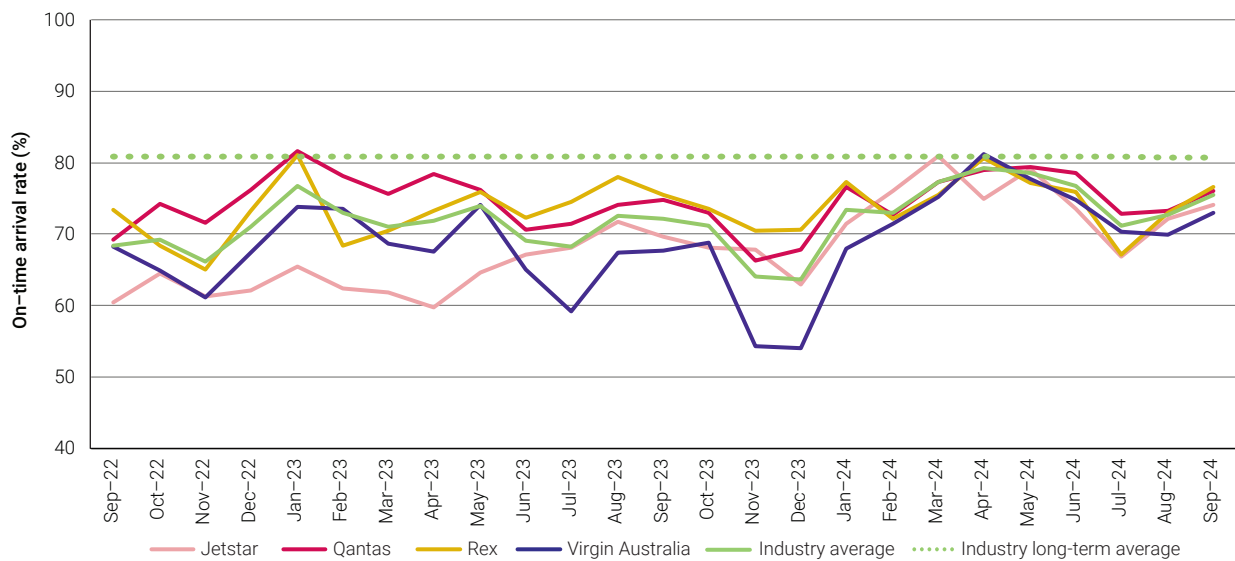
In August 2024 Rex cancelled 6.9% of services, or 338 flights. Of these, 243 were on the 13 routes Rex ceased operating on 31 July. Excluding services on these 13 routes, Rex recorded a cancellation rate of 2.1%. In September 2024, the airline’s cancellation rate improved to 1.2%.

Qantas had the worst cancellation rate for September 2024 (2.8%), which was above the industry average of 2.0%. Jetstar’s cancellation rate improved from 3.7% in July to 1.3% in September, whilst Virgin Australia also reported an improvement from 2.1% to 1.4% over the same period.

Some major domestic routes continued to perform significantly worse than the industry average. Cancellation rates in September were relatively high on Melbourne – Sydney (5.1%) and Melbourne – Canberra (3.6%). Canberra – Sydney recorded the highest cancellation rate at 7.0% for September. This route has only performed better than the industry average on 3 of the 33 months since January 2022.

Figure 4 shows that on-time arrival rates also improved since July 2024. Despite the improvement, the rate of flights that arrived on time in September 2024 (75.5%) remained worse than the long-term average of 80.8% and represented more than 10,000 flights arriving more than 15 minutes late.

Figure 4: Airline on-time arrival rates – September 2022 to September 2024



Source: BITRE, On-time performance time series – September 2024. Qantas figures include QantasLink and Virgin Australia figures include VARA.

Note: A flight is considered on-time if it arrives within 15 minutes of the scheduled arrival time shown on the airline’s schedule.

Rex reported the highest on-time performance amongst the monitored airlines in September 2024 at 76.6%, followed by Qantas (76.0%) and Jetstar (74.0%). Virgin Australia reported the lowest on-time performance for the second consecutive month with 73.0% of flights arriving on time.

The proportion of total flight delays in September attributed to Airservices was 3%. This continues the trend of Airservices’ improved network performance in 2024. The main factors that Airservices highlighted as contributing to these delays included weather interruptions, airport infrastructure disruptions (for example, due to runway works at Perth Airport) and congestion due to airline demand exceeding allocated slot parameters.²²

22 Airservices Australia, [September Australian Aviation Network Overview](#), accessed 20 October 2024, p 18.

4. Competition

This chapter discusses domestic airline competition and uses the number of routes operated by the 4 airline groups and domestic passenger market share by airline.

As with chapter 3, Qantas Group, Rex and Virgin Australia have supplied the ACCC with monthly data up to September 2024 to inform this analysis. The ACCC only has data from Bonza up to March 2024 even though it operated services until the end of April 2024.

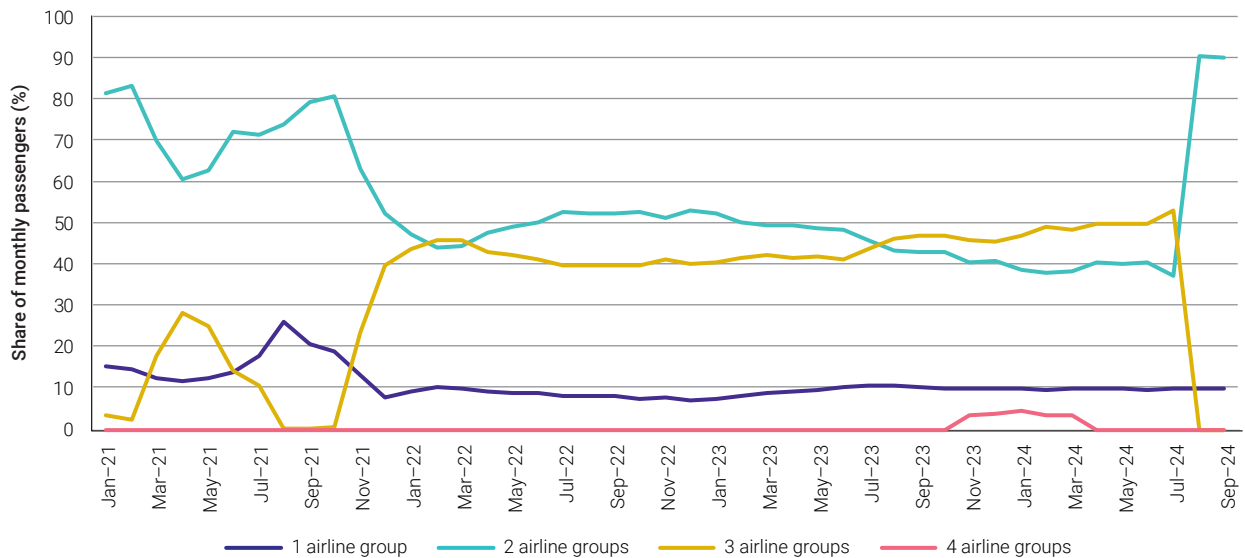
The 2 airlines within the Qantas Group (Qantas and Jetstar) are not considered to be in competition with each other.

4.1 Competitive dynamics have changed dramatically in the past 12 months

The collapse of Bonza and the withdrawal of Rex from many Major City routes has had an immediate and stark impact on the competition dynamics in the domestic airline industry.

Figure 5 shows the proportions of passengers that travelled on routes with 1, 2, 3 or 4 different airline groups up until September 2024.

Figure 5: Share of passengers on routes serviced by 1, 2, 3 and 4 airline groups – January 2021 to September 2024



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

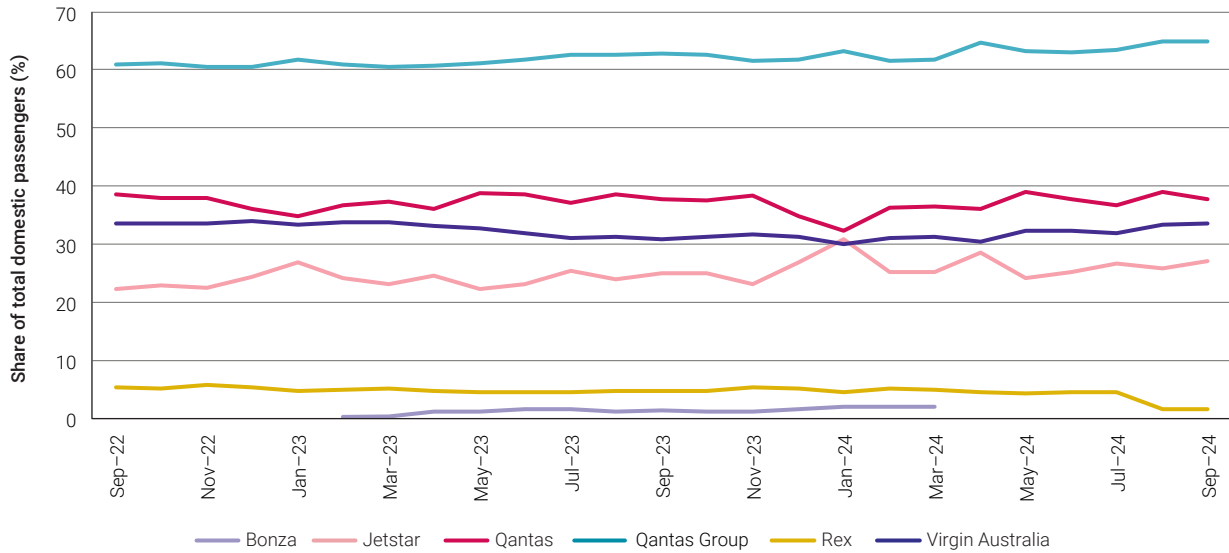
Note: Airline groups comprise Qantas Group (including Jetstar), Virgin Australia, Rex and Bonza (up to March 2024).

Between December 2021 and July 2024, the proportion of domestic passengers who travelled on routes that were serviced by 3 competing airline groups ranged between 40 and just over 50% each month. From November 2023 to April 2024, for the first time there was a route (Melbourne – Gold Coast) that was serviced by 4 competing airline groups, representing around 4% of domestic passengers.

Shortly thereafter Bonza went into liquidation and Rex withdrew from many Major City routes. This means that there is no longer a domestic route that is operated by more than 2 major competing airlines. As of September 2024, routes serviced by 2 airline groups represented the largest share of domestic passengers at 90%, while single airline routes account for the remaining 10%.

Figure 6 shows domestic share of passengers serviced by airline group.

Figure 6: Share of passengers serviced by airline group across all domestic routes – September 2022 to September 2024



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

The proportion of passengers serviced by both Qantas Group (comprising Jetstar and Qantas) and Virgin Australia increased in the months following Rex’s exit from many Major City routes. Qantas Group’s share of passengers increased from 63.4% in July 2024 to 64.8% in September 2024, while Virgin Australia serviced 33.6% of passengers in September 2024, the highest level since March 2023. Meanwhile, Rex serviced 1.6% of total domestic passengers which reflects its reduced operations.

Over the past year, the proportion of passengers serviced by the incumbent airlines have increased for Jetstar and Virgin Australia. Compared to September 2023, Jetstar’s share of passengers increased by 2.1 percentage points to 27.0% in September 2024, while Qantas’ share remained the same at 37.8%.

5. Airfares and jet fuel prices

This chapter discusses trends in domestic airfares and the price of jet fuel. The cost of jet fuel is a major contributor to ticket prices.

The Qantas Group (comprising Qantas and Jetstar), Rex and Virgin Australia have supplied the ACCC with monthly data up to September 2024 to inform our analysis of average revenue per passenger in section 5.1. This section also draws on BITRE airfare data up to October 2024.

The jet fuel data in section 5.2 is current to September 2024.

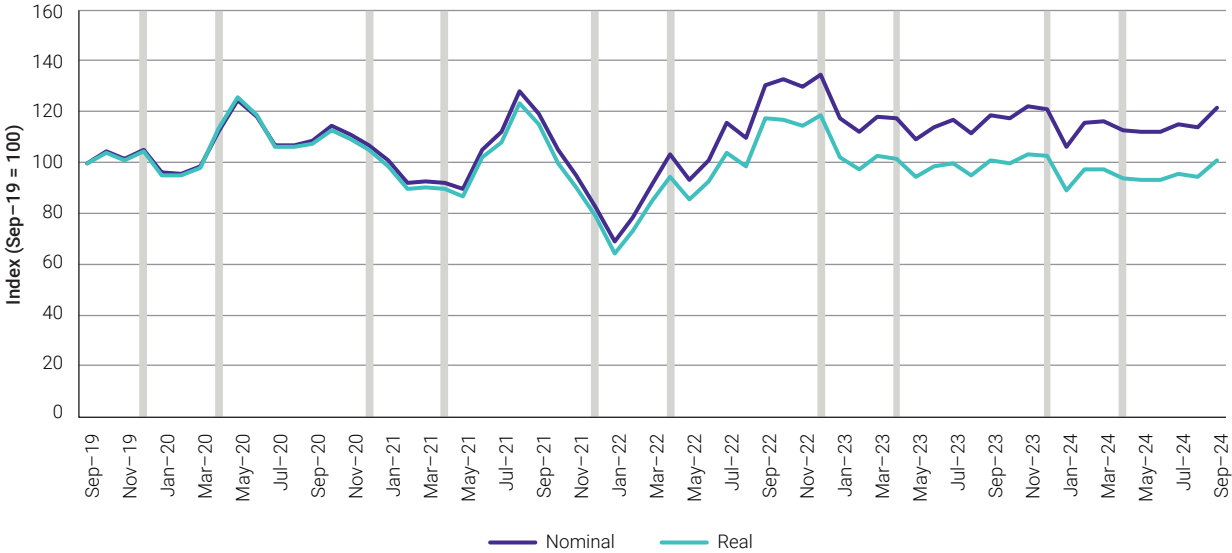
5.1 Airfares increase, particularly on Major City routes

Airfares have increased in recent months with a more concentrated domestic airline industry and reduced seat capacity following Rex’s exit from many Major City routes.

Average revenue per passenger reflects movements in airfares across all types of domestic tickets and fare classes. Much of the analysis in this section is based on changes in real prices, which means they have been adjusted for inflation.

Figure 7 shows average revenue per passenger to September 2024, represented as an index to show changes relative to September 2019. It shows that airfares have increased in the months since Rex ceased operations on many Major City routes, and pre-pandemic, but are stable in comparison to the year prior.

Figure 7: Index of average fare revenue per passenger – September 2019 to September 2024



Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

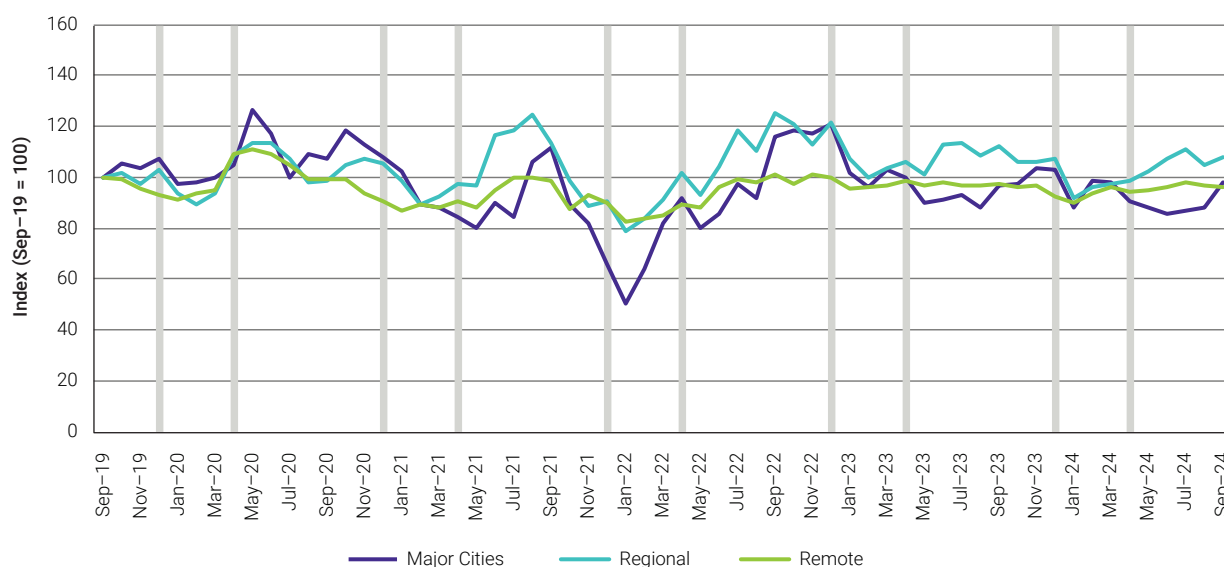
Note: (1) Average revenue per passenger includes both economy and business fare revenue. It excludes data associated with ancillaries, such as baggage fees, fees for seat selection and food and drink sold on board. (2) Data has been adjusted for inflation using ABS CPI quarterly data up to September 2024. (3) Grey bars indicate December and Easter holiday periods.

Since July 2024 the index of real average fare revenue per passenger has increased by 5.8% to September 2024, noting that this reflects a range of factors including the exit of Rex from 11 of the 23 Major City routes as well as increased seasonal demand in September.

Compared to September 2023, average revenue per passenger was higher in nominal terms (+2.6%), but remained stable in real terms (-0.2%). In September 2024 average fare revenue was 1.0% higher than in September 2019 when adjusted for inflation, but 21.7% higher in nominal terms.

Figure 8 shows the trend in average monthly airline revenue per passenger since September 2019 by route type (Major Cities, Regional, and Remote). It shows that most of the increases at an aggregate level are driven by movements in the Major City routes, likely due to the relative elasticities of demand on these routes compared to Regional and Remote routes.

Figure 8: Index of average real fare revenue per passenger by route type: September 2019 to September 2024



Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Note: (1) Average revenue per passenger includes both economy and business fare revenue. It excludes data associated with ancillaries, such as baggage fees, fees for seat selection and food and drink sold on board. (2) Data has been adjusted for inflation using ABS CPI quarterly data up to September 2024. (3) Grey bars indicate December and Easter holiday periods.

Between July and September 2024, the index of average fare revenue per passenger on Major City routes increased by 13.3% in real terms, which is much higher than the 5.8% increase across all routes over the same period. In comparison, average revenue per passenger decreased by 2.8% and 2.3% on Regional and Remote routes respectively. As noted previously, a range of factors can impact on these movements including seasonal demand due to school holidays and major sporting events throughout September.

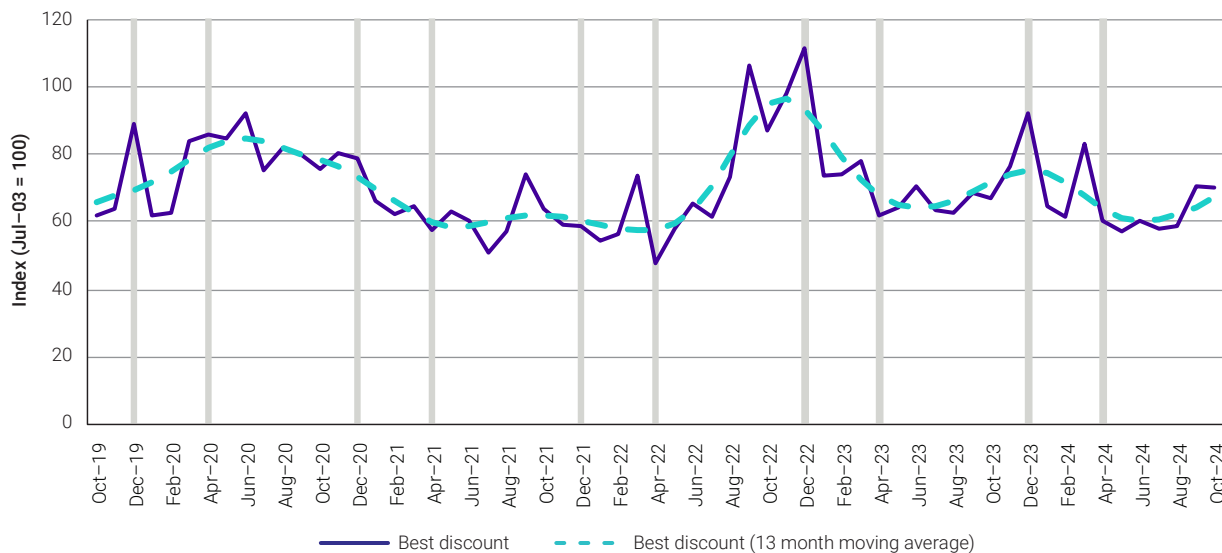
To account for the impact of seasonality we can examine movements over the 12 months to September 2024. The index of real average fare revenue per passenger increased by 1.6% on Major City routes and decreased by 3.8% on Regional routes over this period.

Average revenue per passenger levels have increased through 2024 on Regional routes. At September 2024 the regional revenue per passenger index was at 108.0% of the September 2019 level in real terms. On Remote routes, the index was at 96.2% of the September 2019 level.

Domestic airfare data collected by BITRE also showed an increase in all fare categories in recent months, particularly in restricted economy and business fares.

Discounted airfares are typically at their highest during school holiday periods, particularly during Christmas and Easter, and lowest in winter months. Following the withdrawal of Rex from many of the Major City routes best discount economy airfares in October 2024 were 21.2% higher than in July 2024, and 4.5% higher than in October 2023.

Figure 9: Real price index of the best discount economy airfares – October 2019 to October 2024



Source: BITRE Domestic Air Fares (Best Discount) index (cheapest available economy airfares). The price index is weighted across the 70 busiest domestic routes.

Note: Grey bars indicate December and Easter holiday periods. Airfares recorded between April 2021-February 2022 may be impacted by the government's half-price ticket program (TANS).

The withdrawal of Rex from Major City routes has meant passengers no longer have the lower cost options it provided. This can be observed in Figure 9 which shows an increase in best discount economy airfares from July 2024 to October 2024 across many Major City routes Rex exited on 31 July 2024, including Adelaide – Melbourne (up 95% to \$296), Melbourne – Gold Coast (up 70% to \$432) and Canberra – Melbourne (up 54% to \$298).

The price index for best discount airfares also increased significantly on other routes including Canberra – Gold Coast by (171% to \$490) Brisbane – Hamilton Island by (up 122% to \$871), and Cairns – Sydney (up 43% to \$380).

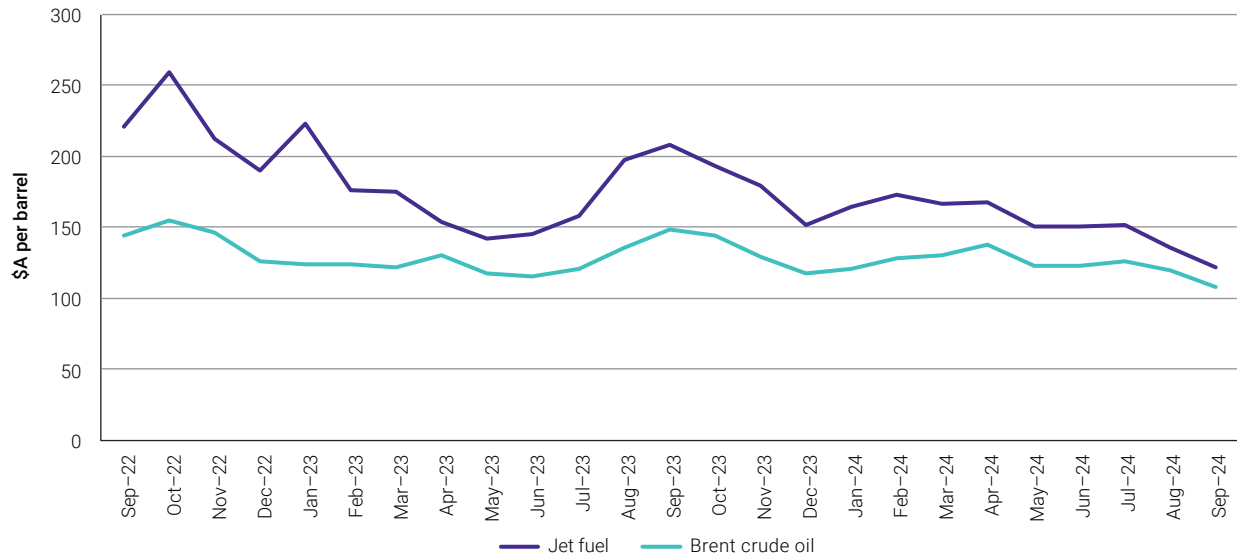
Business and restricted economy airfares collected by BITRE also increased. Between July 2024 and October 2024, the price index for business and restricted economy airfares increased by 10.5% and 15.7% respectively. Compared to October 2023, the price change was even more pronounced, increasing by 33.5% and 16.7% respectively. This reflects the return of corporate travel demand, including for small and medium sized enterprises that may favour restricted economy (flexible) fares. Airlines appear to be benefiting from this shift through greater yields, as demand for corporate travel is generally less responsive to price changes compared to leisure travel.

5.2 Jet fuel prices lowest since September 2021

Jet fuel will typically account for between 15% and 25% of an airline's operating costs, but this can vary depending on factors such as the price of jet fuel, the type of aircraft and the route. Some airlines will shield themselves from the volatility of jet fuel prices through hedging, which is essentially buying an amount of fuel at a fixed price for later delivery.

Figure 10 shows that in real terms, both jet fuel and Brent crude oil prices have trended downwards for the past 12 months.

Figure 10: Real jet fuel and Brent crude oil prices – September 2022 to September 2024



Source: ACCC calculations using ABS, RBA and US Energy Information Administration data.

Note: US Gulf Coast Jet Fuel prices converted into current Australian dollar terms. The price an airline pays for jet fuel will also vary depending on the ports to which its aircraft operate and the respective region-specific jet fuel benchmarks. The latest month of data is to September 2024.

In real terms, jet fuel was A\$122.90 in September 2024, a 41% decrease from September 2023. This is the lowest price recorded for jet fuel since September 2021. The decrease in the price of jet fuel can be attributed to a combination of a falling refining margin between jet fuel and Brent crude oil prices and lower international oil prices. The refining margin is at its lowest level since September 2021. Brent crude oil was A\$109.4 per barrel in September 2024. This represented a 27% decrease from September 2023.

6. Regional domestic airlines

In its monitoring of domestic airline services, the ACCC collects data in relation to Qantas, Jetstar, Virgin Australia and Rex. However, there are a number of other, relatively smaller airlines that provide both regular public transport (RPT) and other essential air services to and from regional and remote hubs in Australia. These regional airlines comprised around 2.5% share of total domestic RPT seat capacity in the week commencing 4 November 2024, according to the Centre for Aviation (CAPA).

This chapter discusses the role of smaller regional airlines in the domestic market, the role of select regional airline groups, regulated RPT routes, and their non-RPT services offerings.

6.1 Smaller airlines provide essential services to regional and remote Australia

Australia's population centres are widely dispersed and primarily located along the coast. This distribution can mean a greater reliance on air services, markets concentrated on routes connecting major cities, and limited medium-sized markets.²³

While there were 279 domestic route pairs scheduled in the week commencing 4 November 2024 according to CAPA, many of these had relatively low seat capacity. Based on the volume of seats scheduled, the top 50 routes account for about 84% of total scheduled domestic seats, and the top 100 routes for over 94%. Major domestic airlines usually operate Major City routes as well as more popular and well-established Regional and Remote routes. Smaller regional domestic airlines on the other hand mainly operate Regional and Remote routes and often cater to distinct geographical segments, many of which have relatively low passenger movements.

There is limited competition between the smaller regional airlines and major airlines Qantas, Jetstar, Virgin Australia, and Rex. For the week commencing 4 November 2024, just 9 routes saw competition between a smaller regional airline and a major airline.²⁴ Regional airlines also tend to offer much lower capacity on these routes compared to the major airlines. Separately, regional airlines sometimes enter code-sharing arrangements with major airlines to improve reach and service offerings.

There were also 8 routes on which the smaller regional airlines competed with each other, for example Airnorth and Nexus Airlines both service Broome – Kununurra and Darwin – Kununurra.²⁵

The availability and continuation of service on many low-passenger movement routes is critical. Some state governments protect and subsidise the operation of flights on certain regional and remote routes to ensure accessibility and connectivity to and from those communities (see section 6.3 for further information on regulated routes).

Operating predominantly Regional and Remote routes means the smaller airlines often face higher input costs for labour and enabling services, and relatively lower economies of scale. While pilot shortages are a concern across the whole industry, these issues are exacerbated for smaller airlines that may lose some of their pilots to the major airlines. Further, smaller airlines generally have less capacity to weather any financial disruptions.

23 CAPA – Centre for Aviation, '[A tale of two countries: Comparing the dynamics of Australia and Canada's domestic markets](#)', 26 August 2024, accessed 18 October 2024.

24 Routes are sourced from the Centre for Aviation (CAPA) database.

25 Broome-Kununurra and Darwin-Kununurra are Qantas codeshare flights operated by Airnorth.

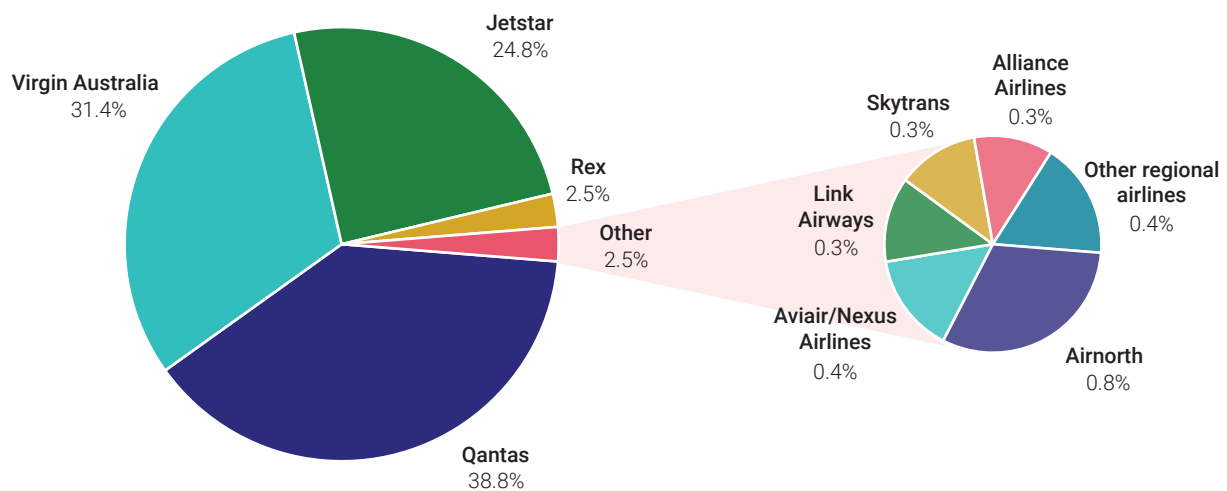
Despite the disadvantages associated with running smaller air operations, many smaller regional airlines continue to operate successfully within the segments of the market in which they cater. Enhanced monitoring and accountability of airlines and airports via the new Aviation White Paper initiatives, such as reforms to the Sydney Airport Demand Management Scheme, amendments to the Aeronautical Pricing Principles, and monitoring of airline-airport aeronautical pricing negotiations, may also assist smaller domestic airlines in future.

6.2 Characteristics of regional airline groups

According to CAPA, the top 5 smaller regional airline groups by weekly RPT domestic seat capacity are Airnorth, Aviair/Nexus Airlines,²⁶ Link Airways, Skytrans, and Alliance Airlines (which is separately a significant provider of aircraft leasing and charter services). Figure 11 shows each airline’s share of domestic seat capacity for the week commencing 4 November 2024 and highlights that the combined share of total RPT domestic seat capacity captured by the smaller airlines was around 2.5%. Airnorth is the largest competitor with 0.8% share of seat capacity followed by Aviair/Nexus Airlines, Link Airways, Skytrans, and Alliance Airlines, all with between 0.3% and 0.4% share. Table 1 provides a snapshot of the top 5 smaller regional airline groups.

Other regional airlines include Sharp Airlines, Skippers Aviation, FlyPelican, Hinterland Aviation, Air Link, Par Avion, Cobham Aviation Services, Eastern Australia Airlines, East-West Airlines, and Free Spirit Airlines.

Figure 11: Airlines’ share of domestic seat capacity for the week commencing 4 November 2024



Source: Domestic seat capacity figures are sourced from the Centre for Aviation (CAPA) database.

²⁶ Aviair and Nexus Airlines are owned by same parent company, HM Consolidated Pty Ltd.

Table 1 Snapshot of the top 5 smaller regional airline groups

Airline	Airnorth	Aviair/Nexus Airlines	Link Airways	Skytrans	Alliance Airlines
Main service offerings	RPT, charter	RPT, charter, and air tours	RPT	RPT, charter, and aircraft leasing	Charter, aircraft sales and leasing, and RPT
Main hub	Darwin International Airport	Kununurra East Kimberley Regional Airport	Brisbane Airport	Cairns Airport	Brisbane Airport
Parent company	Bristow Helicopters Australia	HM Consolidated	Corporate Air	Avia Solutions Group	Alliance Aviation Services ^a
Year established	1981	1984/2023	2016	1990	2002
Number of RPT routes ^b	18	12	16	25	7
Weekly RPT seat capacity ^b	11,502	5,456	4,652	4,460	4,329
RPT fleet size	12	19/5	13	13	69
Fleet	7 Embraer ERJ170 5 Embraer EMB120	5 Bombardier DHC-8 14 Cessna aircraft Company CARAVAN 5 Dash 8 Q400s ²⁷	10 Saab SAAB340B 3 Fairchild Aircraft METRO	7 Bombardier DHC8 6 Cessna Aircraft Company CARAVAN	36 Embraer ERJ170 37 Fokker F28
Destinations	Darwin, Alice Springs, Cairns, Elcho Island, Gove, Groote Eylandt, Katherine, Maningrida, McArthur River, Milingimbi, Tennant Creek, Broome, Kununurra, Perth, Truscott, Cairns, Townsville and Dili, East Timor. ²⁸	Derby, Broome, Port Hedland, Newman, Kununurra, Halls Creek, Balgo, Kalumburu, Fitzroy Crossing, Karratha, Halls Creek, Geraldton, Perth, Kalgoorlie, Darwin. ^{29,30}	Armidale, Biloela, Brisbane, Bundaberg, Canberra, Coffs Harbour, Dubbo, Hobart, Inverell, Melbourne (Tullamarine), Narrabri, Newcastle, Orange, Sydney, Tamworth, and Wollongong. ³¹	Aurukun, Badu Island, Boigu Island, Cairns, Coconut Island, Darney Island, Horn Island, Kowanyama, Lockhart River, Mabuia Island, Kubin Village, Murray Island, Pormpuraaw, Saibai Island, Warraber Island, Yam Island, Yorke Island. ³²	Adelaide, Brisbane, Cairns, Kalgoorlie, Moranbah, Olympic Dam, Onslow, Perth, and Weipa. ³³

Source: Information on RPT routes, seat capacity, and fleet are sourced from the Centre for Aviation (CAPA) database.

Note: ^aAlliance Airlines is 19.7% owned by Qantas Group. ^bRPT routes and seat capacity are for the week commencing 4 November 2024.

²⁷ Nexus Airlines, [Capability Statement](#), 2024, accessed 29 October 2024, p 4.

²⁸ Airnorth, [Airnorth](#), n.d., accessed 21 October 2024.

²⁹ Aviair, [Flight Schedules](#), Aviair, n.d., accessed 18 October 2024.

³⁰ Nexus Airlines, [Booking Search](#), n.d., accessed 18 October 2024.

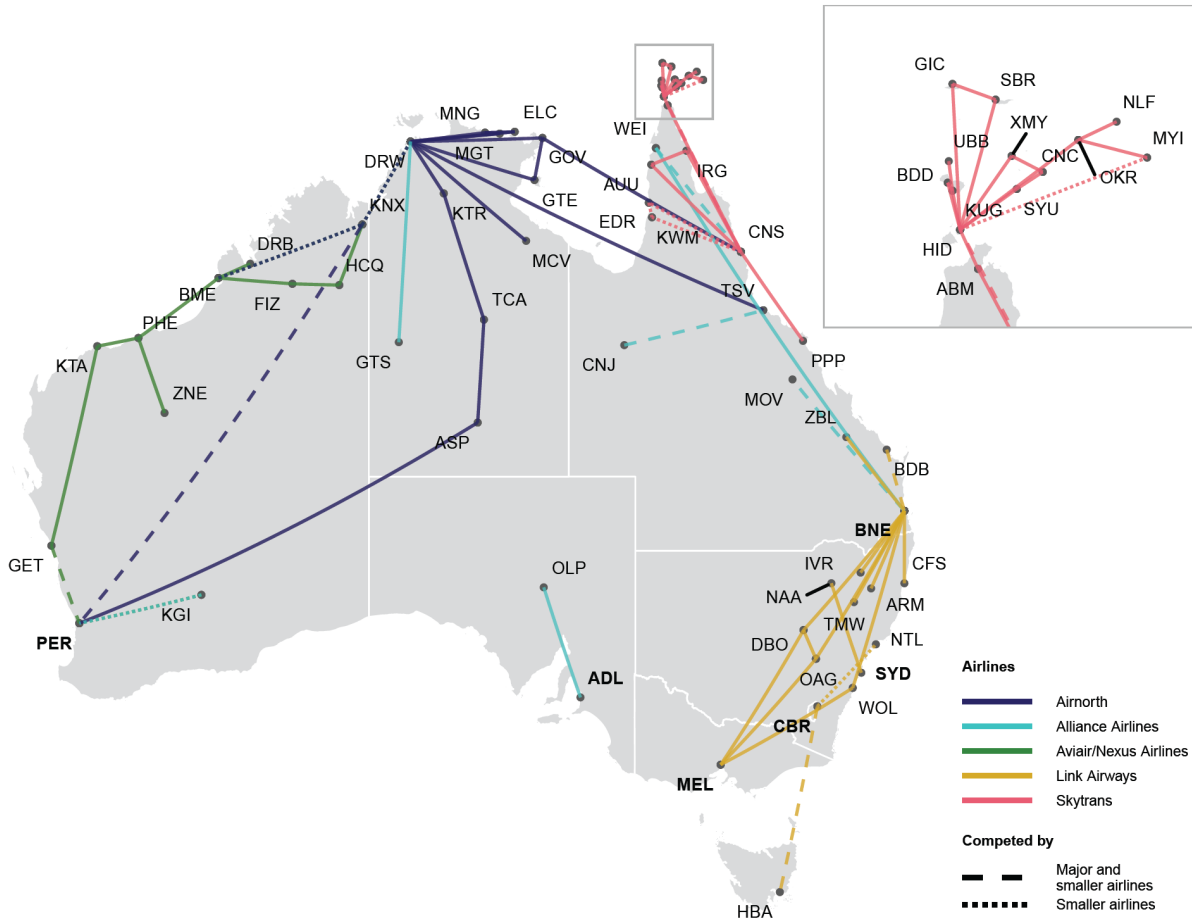
³¹ Link Airways, [Link Airways](#), n.d., accessed 21 October 2024.

³² Skytrans, [Skytrans](#), n.d., accessed 21 October 2024.

³³ Alliance Airlines, [Alliance Airlines](#), n.d., accessed 21 October 2024.

The top 5 smaller regional airlines operated a total of 75 RPT routes in the week commencing 4 November 2024. Figure 12 presents domestic routes operated by each of the 5 regional airlines and highlights routes on which they compete with another airline. Refer to Appendix for a list of the domestic routes operated by the top 5 smaller airlines.

Figure 12: Domestic routes operated by top 5 smaller regional airlines, in week commencing 4 November 2024



Source: Routes are sourced from the Centre for Aviation (CAPA) database.

Note: In the week commencing 4 November 2024, there were 8 routes on which a top 5 smaller regional airline group competed with another small regional airline group (top 5 or other). There were 9 routes on which a top 5 regional airline group competed with a major airline group. On the KGI – PER route, Alliance Airlines competed with Aviair/Nexus Airlines, and a major airline.

6.3 Regulated routes are important to the viability of regional airlines

Governments may regulate and subsidise low passenger volume intrastate RPT routes, which otherwise may not be commercially viable for airlines to operate.

Regulated routes are those on which competition is restricted; a single airline is provided licence to independently operate RPT services on the route, and typically via a competitive tender process.

Across Western Australia, Queensland, and New South Wales, there are currently 18 regulated routes. As at October 2024, Rex operated 9 of the routes, QantasLink operated 3, and the smaller regional airlines operate 6.³⁴

For example, Aviair was recently appointed through a competitive tender to operate RPT services between Derby and Broome until June 2026. The WA government will provide \$1.5 million of funding over 2 years, allowing Aviair to maintain 4 weekly return services on the route.³⁵

There is evidence to suggest airfares on regulated routes are lower and less volatile than on unregulated routes.³⁶

Governments may deregulate routes, for example, if volumes exceed a certain number of passengers over a period, after the term of the licence expires.³⁷ In addition, operators of regulated routes may be required to report monthly statistics such as passenger numbers, load factors, airfares, OTP, and service cancellations.

Western Australia also has 'lightly regulated' routes for which operators must report route data and engage with regional stakeholders and communities on a route-by-route basis. However, entry onto these routes by other airlines is not restricted.³⁸

There are currently no regulated RPT routes in Victoria, Tasmania, Northern Territory, South Australia, and the Australian Capital Territory.

6.4 Regional airlines also offer charter and leasing services

As shown in Table 1, smaller regional airlines tend to diversify their service offerings to cater to niche markets and ensure they maximise the use of their resources. The main non-RPT services are air charter services and aircraft leasing.

Air charter

In addition to RPT services, many of the smaller domestic airlines provide air charter services. A charter flight is a flight operated for a specific group or individual rather than as part of an airline's regular flight schedule. Demand for charter services may be for tourism and leisure, business (for example, mining, energy, and government sectors), or other purpose. Smaller airlines may provide charter services both domestically and internationally.

34 Department of Transport WA, [Air services in Western Australia](#), 25 October 2024, accessed 21 October 2024; Department of Transport and Main Roads QLD, [Long distance air services](#), 7 May 2024, accessed 31 October 2024; Transport for NSW, [Regional air operators](#), n.d., accessed 31 October 2024.

35 Government of Western Australia, [Ongoing aviation services secured for Derby and Broome](#) [media release], Government of Western Australia, 20 June 2024, accessed 24 October 2024.

36 Rural and Regional Affairs and Transport References Committee, [Operation, regulation and funding of air route service delivery to rural, regional and remote communities](#), June 2019, accessed 31 October 2024, p 27.

37 Transport for NSW, [Regional air operators](#), Transport for NSW website, n.d., accessed 18 October 2024.

38 Department of Transport, [Air Services in Western Australia, Department of Transport](#), 19 September 2024, accessed 18 October 2024.

Open charter refers to services offered to the public who pay a fee, and closed charter refers to services that are non-public and non-fee paying, for example fly-in-fly out operations. Regular charter refers to the provision of at least one charter service per week every week for a continuous period, while ad-hoc charter is provided on an as-needed basis.³⁹

Charter operations can impact airfare affordability, service frequency, and the viability of existing RPT services, particularly on routes with low RPT passenger volumes. To prevent reductions in passenger loads on RPT routes, Western Australia, for example, imposes various licence conditions in respect to charter operations on RPT routes.⁴⁰

Aircraft leasing

Alliance Airlines and Skytrans also provide aircraft leasing services. An aircraft lease is an arrangement to rent an aircraft for a pre-agreed period. Airlines can lease aircraft under a wet or dry lease arrangement. A wet lease is an arrangement whereby the lessor provides an aircraft, including crew, maintenance and insurance to the lessee. A dry lease is an arrangement whereby the lessor provides only the aircraft to the lessee.

Alliance Airlines has a number of lease contracts with other airlines, including Qantas and Airnorth. As of August 2024, Qantas wet-leases 26 E190 aircraft from Alliance Airlines. At 28 November 2023, Airnorth dry leased 3 of Alliance Airlines' E190 jets.⁴¹ Growth in its wet-lease operations led to a notable increase in Alliance Airlines' revenue and profits in the 2023–24 financial year.⁴²

Skytrans was acquired by Avia Solutions Group in March 2024, the biggest wet lease provider in the world. Skytrans announced its plans to add 20 Airbus A320-family jet aircraft to its fleet of 13 within the next 3 to 5 years for wet leasing operations. It expects to receive the first of the jets in November 2024. The regional operator will continue to operate its existing turboprop fleet for RPT. Skytrans will continue to operate its existing turboprop fleet for RPT services.⁴³

39 Department of Transport, [Review of Regulated Regular Public Transport Air Routes in Western Australia – Final Public Report 2015](#), July 2015, accessed 22 October 2024, p 62.

40 Department of Transport, [Review of Regulated Regular Public Transport Air Routes in Western Australia – Final Public Report 2015](#), July 2015, accessed 22 October 2024, p 65.

41 Scott McMillan, *Alliance Aviation Services Limited (ASX code: AQZ) 2023 Annual General Meeting Managing Director's Address* [PDF 148KB], Alliance Airlines, 28 November 2023, accessed 18 October 2024.

42 G Waldron, [Strong wet lease business lifts Alliance's revenues](#), FlightGlobal website, 29 August 2024, accessed 18 October 2024.

43 J Nelson, [Exclusive: First Skytrans A319 to arrive this year for wet leasing](#), *Australian Aviation*, 30 April 2024, accessed 18 October 2024. J Nelson, [First Skytrans A319 delayed to next month](#), *Australian Aviation*, 21 October 2024, accessed 18 October 2024.

