



Domestic airline competition in Australia

May 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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Glossary

ABS	Australian Bureau of Statistics
BITRE	Bureau of Infrastructure and Transport Research Economics
CCA	<i>Competition and Consumer Act 2010</i> (Cth)
EBIT	Earnings before interest and taxes
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 across all airlines.
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 detailed list of Route Type.
Qantas	Qantas domestic passenger airlines that include Qantas Domestic and QantasLink airlines.
Qantas Group	Qantas Domestic, QantasLink 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 detailed list of Route Type.
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 or 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 detailed list of Route Type.
Revenue passenger-kilometres (RPKs)	Calculated by multiplying the number of revenue passengers travelling on each flight stage, by the distance in kilometres between the ports.
Virgin Australia	Virgin Australia domestic passenger airlines that include Virgin Australia and Virgin Australia Regional Airlines (VARA). Virgin Australia also operated Tigerair until March 2020.

Key industry insights and developments



Bonza suspends services

Low-cost carrier Bonza suspended operations and entered voluntary administration on April 30 leaving passengers and employees impacted. While Bonza only competed with other airlines on 7 of its 37 routes, it had the potential to become a more meaningful competitor and represented an opportunity for a more competitive domestic market.



Bonza had provided travellers with more domestic air connectivity

Bonza had been a key reason for growth in connectivity across the domestic network in recent years, as it sought to stimulate demand on new routes not offered by other airlines. The number of domestic routes across Australia had increased to 178 in March 2024, a net increase of 22 routes since 2019.



Passenger levels tracking along pre-pandemic levels

Over the quarter to March 2024, domestic passenger numbers exceeded 2023 levels and followed the seasonal pattern along 2019 levels. Major entertainment events led to above average February passenger levels.



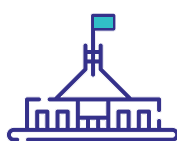
Airfares have remained below December 2023 levels

The increase in capacity in both domestic and international markets over recent months has contributed to a decrease in airfares. Compared to the same months in 2023, average revenue per domestic passenger was lower in January and March 2024 in real terms. Average revenue per domestic passenger increased by 9% from January to February 2024, likely due to the surge in major event-driven demand.



Cancellation rates improved in March, but most airlines still worse than the long-term industry average

Industry cancellation rates improved from 5.0% in December 2023 to 2.8% in March 2024 but have remained above the long-term average of 2.2% for over 2 years.



Australian Government announces improvements to Sydney Airport's demand management framework

In February 2024 the Australian Government announced that it will improve how take-off and landing slots are managed at Sydney Airport. The ACCC welcomes the additional opportunities for new and expanding airlines to secure slots, the focus on combatting slot misuse where necessary, and pathway to improved service reliability.

Executive summary

Australia's aviation sector appears to have recovered from the COVID-19 pandemic, 4 years after state and national borders first closed. At the same time however, low-cost carrier Bonza announced on 30 April 2024 that it had suspended operations and entered voluntary administration, following just over a year in operation.

Bonza's suspension of operations left passengers stranded, others holding tickets they might not be able to use, and staff stood down. While the administrators are exploring options for the future of the Bonza business, as at 15 May 2024 it appears that it will be difficult for Bonza to return to operations, with the lessor of Bonza's aircraft seeking to reposition the fleet elsewhere.

It would be detrimental to competition if Bonza was not able to resume services. Bonza's ability to bring competitive tension to the broader domestic airline market had been limited to date, due to its small fleet size and exclusion of the busiest domestic sectors from its network. However, Bonza's presence represented an opportunity for greater competition to emerge in the concentrated domestic aviation sector, such as if the airline had continued to grow with more aircraft and entered busier routes connecting Sydney, Melbourne and Brisbane.

If Bonza does not resume services, the biggest impact on consumers would likely be the loss of connectivity for regional communities. Bonza had been a key reason for growth in connectivity across the Australian domestic network in recent years, with the airline offering 37 routes as at March 2024, 30 of which were unserved by other airlines. The ACCC will closely monitor the effect of Bonza's suspension of services on ticket prices and price competition, particularly on the 7 contested routes.

Access to direct flights can be important to regional communities, providing opportunities for economic growth, as well as for people's ability to visit family and friends. In March 2024 there were 178 direct routes flown by Bonza, Jetstar, Qantas, Rex and Virgin Australia across the domestic network, representing a net increase of 22 routes since March 2019. Our analysis of connectivity, measured by the number of direct routes and service frequency, also found significant variability between airports. Sydney was the most connected airport with 39 direct routes, followed by Melbourne with 36 routes and Brisbane with 33 routes. These airports also have the highest service frequencies. Meanwhile airports in Regional and Remote regions typically lagged far behind Major City airports on both metrics.

The developments around Bonza emphasise the importance for government policy to support competition in aviation, with the domestic airline industry remaining highly concentrated. The ACCC welcomes the Australian Government's proposed reforms to the management of slots at Sydney Airport, as they should improve the ability for new and expanding airlines to access slots at the important hub airport in future.

In the first 3 months of 2024, both domestic and international air passenger markets showed activity levels either approaching or exceeding pre-pandemic levels. In March 2024 Australia's major airlines carried nearly 4.9 million domestic passengers, representing 98.8% of the levels recorded in March 2019. This was around 3.3% (or 150,000 passengers) more than the levels reached in March last year.

Some one-off events contributed to a spike in domestic passenger activity in February¹, compared to what is typically observed in that month. Most notably, Taylor Swift performed 7 shows to more than 600,000 people across 2 weekends exclusively in Melbourne and Sydney. Airlines added some capacity following news of her tour. For example, Qantas announced it had added 67 additional

¹ February 2024 was also a leap year, which resulted in an extra day of activity recorded for that month.

flights, or over 11,000 seats on Melbourne and Sydney routes.² There was also a World Wrestling Entertainment (WWE) event held in Perth for around 45,000 spectators, stimulating air travel to the West Coast.

International airlines also continued to add capacity on routes in and out of Australia, such as Emirates announcing the reinstatement of Adelaide and Perth flights from October 2024.

Increases in airline seat capacity have contributed to a decrease in airfares in recent months across both international and domestic markets. In March 2024 average revenue per domestic passenger decreased in both nominal and real terms compared to the year before. Airfares spiked on some routes in February due to the aforementioned events.

Service reliability has improved in recent months despite remaining worse than long-term industry averages. In March 2024 the industry cancelled 2.8% of flights, which represents an improvement from 5.0% in December 2023, but below the long-term industry average of 2.2%. Similarly, on-time performance across the industry was 77.2% in March 2024, improving from 63.6% in December 2023, but worse than the long-term industry average of 81.0%.

² M Ortolan, '[This data reveals the Taylor Swift wave sweeping Melbourne and Sydney's economies](#)', ABC NEWS, 15 February 2024, accessed 9 May 2024.

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 practises, 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 Bonza, the Qantas Group (including Jetstar), Rex and Virgin Australia to voluntarily provide their monthly and quarterly data to the ACCC. 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.⁴ 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 ACCC, [ACCC/AER information policy](#), 4 June 2014.

2. Industry developments

2.1 Bonza suspends operations and enters voluntary administration

In April recent domestic entrant Bonza suspended its operations and entered voluntary administration, leaving passengers stranded and others holding tickets they might not be able to use, staff stood down, and the loss of dozens of direct routes.

The lessors of Bonza's aircraft terminated Bonza's leases late on the evening of 29 April 2024, and required Bonza to immediately cease to operate the aircraft.⁵ Bonza's board then appointed Hall Chadwick as Bonza's administrators.

Hall Chadwick are conducting investigations into Bonza's business, property, affairs and financial circumstances. As at 15 May, it was still undertaking these investigations⁶, including to determine whether there is any possibility of Bonza resuming operations. Hall Chadwick have said that the lessor of the Bonza aircraft was seeking to reposition the fleet elsewhere⁷, suggesting that it will be difficult for Bonza to return to operations.

Virgin, Qantas and Jetstar provided support to Bonza passengers left stranded by the grounding of its fleet, by offering complimentary seats on their flights where space was available.

Bonza had offered low airfares to stimulate demand on new routes

Bonza was founded by Tim Jordan in October 2021, with financial backing from US-based investment firm 777 Partners. It adopted a business model akin to that adopted by Ryanair in Europe, using low airfares to stimulate demand on routes that were underserved or unserved by other airlines. It first offered services from its primary base of the Sunshine Coast in February 2023, before opening bases in Melbourne in March 2023 and the Gold Coast in November 2023.

Bonza's network comprised of 37 routes in March 2024. Of these, 35 routes connected regional locations and 30 were unserved by any other airline. Its fleet of Boeing 737 Max-8s reached a peak of 6 aircraft in December 2023, but this fell back to 4 when one aircraft was returned to Canada for Flair Airlines and another remained parked. This was reportedly due to additional problems Bonza faced getting registration to replace the Canadian crew with Bonza crew.⁸

The primary benefit for consumers arising from Bonza's entry was the availability of direct flights to regional locations. As explored further in chapter 6, Bonza notably increased the number of direct routes across the Australian domestic network and offered low airfares, which enabled people to take holidays and visit family and friends when they otherwise would not have.

While Bonza did directly compete with other airlines on 7 routes including between Melbourne and the Gold Coast, its ability to bring competitive tension to the broader domestic airline market was limited to date due to its small fleet size and the exclusion of the busiest domestic sectors from its network, such as between Sydney, Melbourne and Brisbane.

5 Hall Chadwick, [2 May 2024 Press Release](#), accessed 9 May 2024.

6 Bonza, [Hall Chadwick Voluntary Administrators Update 14 May 2024](#), accessed 15 May 2024.

7 Hall Chadwick, [7 May 2024 Press Release](#), accessed 9 May 2024.

8 A Curran, ['Australia's Bonza constrained by aircraft availability'](#), *ch-aviation*, 29 April 2024, accessed 9 May 2024.

By March 2024 Bonza had only been able to capture 2.0% of the passenger market. Even if Bonza had been able to attract more customers, its market share would not have been much higher without the airline accessing and then operating more aircraft.

Multiple factors could have contributed to Bonza's situation

While further details will likely emerge in coming weeks or months, a number of factors may have contributed to Bonza's current situation.

New airlines typically face high barriers to both entry and then expansion of operations. These barriers can include access to aircraft, access to airports and suitable slots, qualified staff including pilots, crew and engineers, the costs and time to build brand awareness and trust with consumers and competitive responses from incumbent airlines. New carriers also need to expand relatively quickly to realise the benefits of greater economies of scale.

CEO Tim Jordan said that the project that would become 'Bonza' took from 2009 until early 2023 to come to fruition, which he said reflected the barriers to entry in Australia.⁹

After the announcement of the airline, Bonza incurred significant costs as it took longer than expected for it to meet regulatory approval from the Civil Aviation Safety Authority (CASA). This approval was obtained in January 2023, 6 months after Bonza's first aircraft arrived in the country. It then took Bonza longer than expected to receive regulatory approval for 2 additional aircraft from Canada to be operated with Canadian crew, resulting in extensive flight cancellations in late 2023.

Some industry commentators have questioned Bonza's strategy of flying infrequent services to regional destinations on low volume routes not served by other airlines. While this has worked overseas, some commentators have said that regional destinations in Australia may not have the population size to sufficiently drive demand to fill the 186-seat jet aircraft flown by Bonza.

To date, Bonza had chosen not to directly compete with Qantas, Jetstar, Virgin Australia and Rex on the routes connecting Sydney, Melbourne and Brisbane, which are some of the busiest routes in the world. Although Bonza did not formally apply for slots at Sydney Airport, Mr Jordan had expressed a strong wish to offer new services into and out of Sydney but said that this was not possible due to the airline's inability to access take-off and landing slots at desirable times.¹⁰ Mr Jordan also stated that its business model based on low airfares would require better commercial terms to be offered by Sydney Airport.¹¹

Some industry commentators such as the Centre for Aviation (CAPA) have questioned whether Bonza's owner 777 Partners had the resources or the appetite to adequately fund the airline through its first years of development.¹² When Bonza launched, 777 Partners had a significant portfolio of 737 Max aircraft and orders for more. However, CAPA said that plans to add further aircraft did not materialise, which contributed to schedule disruptions, route cuts and delays in planned route launches. CAPA further said that the airline had nowhere near the fleet size that would provide the economies of scale to be profitable.

There have been reports that 777 Partners is going through its own financial troubles. In March 2023 Flair Airlines had four aircraft seized over unpaid leasing charges. More recently, a substantial credit

9 Standing Committee on Economics, [Inquiry into promoting economic dynamism, competition and business formation](#), 30 June 2023.

10 Parliament of Australia, [Commonwealth Bilateral Air Service Agreements – Chapter 3](#), October 2023, accessed 9 May 2024.

11 H Dowling, 'Exclusive: Bonza won't deal with airports that don't negotiate fees', *Australian Aviation*, 16 February 2022, accessed 14 May 2024.

12 CAPA, [Fleet issues prove to be too much of a hurdle for troubled Bonza](#), 1 May 2024, accessed 9 May 2024.

rating downgrade for 777 Partners' reinsurance company (777Re) led to the unwinding of a joint ownership arrangement with another company over 30 aircraft.¹³

Implications for the domestic airline industry

There would be a number of implications for the domestic airline industry if Bonza is not able to recommence operations.

The primary immediate consequence for consumers would be the loss of the extra connectivity that Bonza provided, with the airline offering 30 routes unserved by other airlines. While some of these routes may attract the attention of the other airlines, it is reasonable to assume that the vast majority would cease to be served.

Consumers would also lose the benefit of the limited competition that Bonza provided over its 7 contested routes, which resulted in consumers enjoying cheaper airfares. However, it is the loss of the opportunity for Bonza to develop further into a more meaningful competitor, including with a bigger fleet of aircraft and potentially offering services on the busier intercity routes, that is more significant.

Without Bonza, the prospects for a more competitive domestic aviation industry in coming years would rely more heavily on Rex expanding its offering. Previously a regional airline, Rex commenced intercity operations with jet aircraft in early 2021. However, like Bonza, it has not been able to grow its market share (5.0% in March 2024) to a level where it would offer a meaningful competitive constraint on the Qantas Group and Virgin Australia. Such expansion would require a larger fleet of aircraft and access to additional slots at Sydney Airport. Another possibility would be for another new airline to enter the Australian market.

While the airline industry may always have greater barriers to entry than most other parts of the economy, government policies should support such entry and expansion as much as possible. In this regard, the ACCC welcomes the Australian Government's proposed reforms to the management of slots at Sydney Airport, as they should improve the ability for new and expanding airlines to access slots at the important hub airport (see section 2.2).

Airport charges can also be a notable cost item for airlines, particularly low-cost carriers. In its submission to the government's Aviation White Paper process, the ACCC put forward several suggestions for addressing the market power of the major airports.¹⁴ We recommended enhanced information provision requirements for airports and access to arbitration to address the imbalance of power in commercial negotiations. We also called for a review of the Aeronautical Pricing Principles¹⁵, followed by making them mandatory and enforceable.

The rights of consumers holding tickets for Bonza flights

There will be many people who have purchased tickets for Bonza flights which have either already been cancelled or appear unlikely to operate.

When a business enters voluntary administration, consumers' ordinary legal rights can be affected. What happens to consumers' rights with respect to outstanding credits, gift cards, refunds and other reimbursements will depend on what happens in the administration process.

13 I Verrender, ['The mysterious man behind 777 Partners, the strange private equity firm that owns Bonza'](#), ABC NEWS, 4 May 2024, accessed 9 May 2024.

14 ACCC, [Submission in response to the Aviation Green Paper](#), November 2023.

15 The Aeronautical Pricing Principles are a framework developed by the Department of Infrastructure for establishing prices, service delivery and conduct of commercial negotiations at airports.

An administration process may result in the business trading out of administration, the sale of the business that has gone under to a new business, or the business being wound up.

If a business is wound up, it must pay the people it owes in a specific order. Consumers are normally considered 'unsecured creditors'. Unsecured creditors are paid after other classes of creditors. This means consumers may only get some of their money back or nothing at all. The way that consumers paid for the airfares may impact on their ability to access a remedy.

Consumers who have paid for their flights with credit card, debit card or through a secure payment provider such as PayPal, may be able to get their money back by requesting their financial institution or card provider reverse the payment. This is known as a 'chargeback'.

Where a business enters voluntary administration, the appointed administrator(s) should provide information to consumers about what will happen with outstanding credits, gift cards, refunds and other reimbursements through the administration process.

The appointed administrators have set up contacts for impacted customers: 03 8678 1600 and bonzacustomers@hallchadwick.com.au.

2.2 Reforms to the management of slots at Sydney Airport

On 21 February 2024 the Australian Government announced that it will reform the Sydney Airport demand management scheme to improve how take-off and landing slots are managed at the airport. This is in response to the Harris Review which in February 2021 recommended reforms to how demand management should be regulated to make it more fit-for-purpose to deliver better efficiency, competition and consumer outcomes.

The ACCC welcomes the decision to take forward reforms as they will improve transparency, crack down on slot misuse where necessary and help new and expanding airlines secure slots. For example, under the reforms, airlines wanting to change the times of slots to which they have pre-existing rights (historic slots) will no longer receive preferential treatment over new entrants.

Freeing up slots at Sydney Airport, particularly peak slots, is key to increasing domestic airline competition and enabling new and expanding airlines to compete with Qantas Group and Virgin Australia. In that regard, Bonza last year explained to the House of Representatives' Standing Committee on Economics that access to peak morning and evening slots is necessary for it to base aircraft at Sydney Airport.¹⁶ The Qantas Group and Virgin Australia have historic rights over most slots, including valuable peak slots and this helps them maintain competitive advantages over rivals.

To combat slot misuse, the reforms will increase transparency about how slots are allocated and airlines' reasons for cancellations or major delays. Independent audits of slot usage will start this year, the results of which will be published. The Government will also strengthen enforcement tools including penalties to take legal action for non-compliance where necessary.

The ACCC also welcomes the Government's proposal for improved governance arrangements concerning the slot manager to manage potential conflicts of interest. The current slot manager Airport Co-ordination Australia is majority owned by Qantas and Virgin Australia and is responsible for administering the scheme including slot allocation, reporting, monitoring, compliance and financial management. The ACCC reiterates the importance of making slot management and compliance systems independent, robust and properly resourced.

¹⁶ Parliament of Australia, House of Representatives – Standing Committee on Economics, '[Better Competition, Better Prices](#)', Report on the inquiry into promoting economic dynamism, competition and business formation', March 2024, paragraph 8.15.

The Government has advised that it will be consulting with the ACCC and other stakeholders on the best way to implement these reforms ahead of bringing forward legislation to Parliament.¹⁷

2.3 Qantas agrees to penalty and customer compensation for misleading consumers

On 6 May 2024 Qantas and the ACCC announced that they will ask the Federal Court to impose a penalty of \$100 million on Qantas for breaching the Australian Consumer Law.

Qantas has admitted making misleading representations to consumers in breach of the Australian Consumer Law in respect of flights it had decided to cancel. Qantas has admitted it misled thousands of consumers from 21 May 2021 until 26 August 2023 by advertising tickets for tens of thousands of flights it had already decided to cancel and by cancelling thousands more flights without promptly telling ticket holders of its decision.

Qantas has undertaken to the ACCC to pay about \$20 million to more than 86,000 customers who were sold tickets on these cancelled flights, or in some cases who were reaccommodated on these flights after their original flights were cancelled. Qantas will pay \$225 to domestic ticket holders and \$450 to international ticket holders.

By 10 July 2024 consumers will hear from Qantas and Deloitte Australia via email and text message with information on accessing a portal to facilitate the payment.

Qantas has also undertaken to notify customers of cancelled flights as soon as practicable and no more than 48 hours from deciding to cancel the flight. It has also undertaken to stop selling cancelled flights as soon as practicable, and in any event within 24 hours of its decision to cancel. The undertaking also applies to Jetstar.

The ACCC launched Federal Court action against Qantas in August 2023 alleging that, between 21 May 2021 and 7 July 2022, Qantas advertised tickets for more than 8,000 cancelled flights. It was also alleged that, for more than 10,000 flights scheduled to depart in May to July 2022, Qantas did not promptly notify existing ticket holders that their flights had been cancelled. Qantas has now admitted that its misconduct continued from 21 May 2021 until 26 August 2023.

2.4 Airlines report mixed mid-year financial results

In its mid-year financial results, the Qantas Group reported continued profitable operations, while Rex recorded a loss before tax for the first half of 2023–24.¹⁸

The Qantas Group reported an underlying profit before tax of \$1.25 billion in the first half of the 2023–24 financial year.¹⁹ This result captured performance across the whole business, including international and domestic flying, freight and the loyalty program. Despite a 13% decrease from the first half of 2022–23, it remained the most profitable amongst all the domestic airline groups. Qantas noted that domestic flying on Qantas and Jetstar increased by 5% and 15% respectively from the first

17 DITRDCA, [Reforms to the Sydney Airport Demand Management Framework](#), accessed 9 May 2024.

18 Virgin Australia and Bonza are not publicly listed companies and are therefore not required to publish their financial results to members. While Qantas and Rex are required to prepare half-yearly financial statements, they are not obligated to publish these for shareholders. They may however choose to release or summarise results for transparency reasons.

19 Qantas Group, [Qantas Group profit in 1H24 supports continued investment in customers](#), 22 February 2024, accessed 9 May 2024.

half of 2022–23. The underlying EBIT for the Qantas domestic network in the first half of 2023–24 was \$641 million.

The Jetstar Domestic business unit reported significantly stronger financial performance in the mid-year results, as its first-half underlying EBIT increased by 35% from the previous year to \$175 million.

Rex reported a loss before tax of \$2.1 million in the first half of 2023–24. This is down from a \$15.7 million loss in the first half of 2022–23. Passenger revenue increased from roughly \$293 million in the first half of 2022–23 to \$311 million in the first half of 2023–24 despite network schedule reductions. This contributed to a roughly 4% increase in total revenue for the same period.²⁰

2.5 Domestic passenger demand exceeds pre-pandemic levels in February

For the first time since the COVID-19 pandemic, in February 2024, domestic passenger numbers exceeded 2019 levels. This was due to a couple of notable major events held across Australia including Taylor Swift concerts held over 2 weekends exclusively in Sydney and Melbourne. The Elimination Chamber, a professional wrestling event produced by the American company WWE, was also held in Perth in February. Since 2024 was a leap year, an extra day of passenger activity was also recorded.

Consequently, the number of passengers who flew into and out of Melbourne and Sydney in February 2024 increased by 18% and 15% respectively compared to February 2023. These were still just below passenger levels travelling pre-pandemic (February 2019) by 1% for Melbourne and 4% for Sydney.

Meanwhile, the number of passengers who flew into and out of Perth in February 2024 increased by 9% when compared to February 2023, and by 14% compared to February 2019. This represented an increase of 55,000 and 78,000 passengers compared to February 2023 and February 2019 respectively.

Airlines have indicated that with a few months of advance notice, they are able to add capacity to meet increased demand from major national events. The Taylor Swift concerts, for example, saw airlines use standby aircraft or capacity from other routes to keep up with increased travel demand. Where demand surges at short notice, for example when supporters want to travel interstate during elimination finals, the airlines' ability to add services or increase aircraft gauge is more limited. This typically leads to higher airfares.

High passenger numbers continued into March largely due to an earlier Easter long weekend compared to previous years. Demand in April is anticipated to be softer as a result.

2.6 International airlines continue to increase capacity on Australian routes

Globally, international travel surpassed pre-pandemic levels in March 2024, with revenue passenger kilometres (RPKs) increasing by 13.8% compared to March 2019.²¹ As at March 2024 total arrivals

20 Rex, [Half Year Financial Report 2023/24](#), 29 February 2024, accessed 9 May 2024.

21 IATA, [Air Passenger Market Analysis](#), accessed 9 May 2024.

and departures to and from Australia was only 0.6% lower than in March 2019, but 24.6% higher than in March 2023.²²

There have been signs of strong activity, with international passengers in Perth Airport exceeding pre-pandemic levels in January and February 2024,²³ while Melbourne Airport hosted a record 923,065 international passengers in March 2024.²⁴

Data from Flight Centre Corporate's FCM Travel and Corporate Traveller for the quarter ending March 2024 showed that global seat capacity reached pre-pandemic levels for the first time. As a result, air passengers are benefitting from decreasing air fares. On some key international routes out of Australia fares dropped by up to 25% in the first quarter of 2024 compared to one year ago.²⁵

International airlines also continue to increase or reinstate pre-pandemic capacity on their routes to and from Australia. Notably:

- Emirates will recommence their direct daily flights between Adelaide and Dubai from late October. This service carried more than 165,000 passengers in 2019.²⁶ Emirates currently serves Australia with 63 flights per week to Brisbane, Perth, Sydney and Melbourne, transporting around 56,000 passengers per week to and from these Major Cities. Emirates will also reinstate its second daily Perth service on a Boeing 777-300ER, joining the existing A380 service.
- Turkish Airlines debuted its Istanbul – Singapore – Melbourne flight from 2 March 2024, operating 3 times a week.²⁷ Turkish Airlines is also planning to use the upgraded Airbus A350-1000 aircraft to fly directly from Melbourne and Sydney to Istanbul likely from 2026, competing with Qantas' Project Sunrise (which will fly from Sydney or Melbourne direct to London). This entry may give Australian travellers extra capacity to travel to Europe and place downward pressure on airfares.²⁸
- Delta Air Lines will also commence its seasonal Los Angeles – Brisbane service from later this year until March 2025.²⁹
- AirAsia Malaysia commenced daily services between Perth and Kuala Lumpur, along with its sister airline AirAsia X, doubling the group's flight frequency from 7 to 14 times per week from 11 March 2024.³⁰
- Singapore Airlines is adding 4 more flights to Brisbane from August, to total 25 flights weekly between Singapore and Brisbane.³¹ In addition Singapore Airlines launched flights to Cairns 4 times a week, which will bring around 23,000 extra seats per year.³²
- Jetstar commenced the first direct flights between Sydney and Japan's Osaka (Kansai) from early April, with 3 return services per week.³³

22 ABS, [Overseas Arrivals and Departures, Australia](#), 14 May 2024, accessed 15 May 2024.

23 J Dietsch, '[International flights to Perth Airport now above pre-COVID levels as February marks second month of rise](#)', *The West Australian*, 3 April 2024, accessed 9 May 2024.

24 R Ironside, '[Melbourne Airport breaks its six-year-old international travellers record for March](#)', *NT News*, 11 April 2024, accessed 9 May 2024.

25 Corporate Traveller, [Fares fall as Australia air travel returns to pre-Covid capacity](#), 16 April 2024, accessed 9 May 2024.

26 Government of South Australia, [Emirates returns to Adelaide with direct daily flights](#), 6 February 2024, accessed 9 May 2024.

27 S Khalil, '[Major airline makes its debut in Australia with first flight landing in Melbourne](#)', *news.com.au*, 4 March 2024, accessed 9 May 2024.

28 A de Kretser, '[Qantas' sunrise dream faces cheaper ultra long-haul competitor](#)', *The Australian Financial Review*, 4 March 2024, accessed 9 May 2024.

29 J Wilkinson, '[Delta expands Australian operations with new seasonal Brisbane flights](#)', *Wayfarer*, 1 March 2024, accessed 4 April 2024.

30 J Nelson, '[AirAsia Malaysia lands in Perth](#)', *Australian Aviation*, 13 March 2024, accessed 9 May 2024.

31 C Ashton, '[Singapore Airlines locks in additional flights to Brisbane](#)', *Executive Traveller*, 20 March 2024, accessed 9 May 2024.

32 Cairns Airport, '[Singapore Airlines Launches A350 Service to Cairns in boost to Tropical North Queensland](#)', 3 April 2024, accessed 9 May 2024.

33 S Khalil, '[Jetstar announces Aussie-first direct flight](#)', *news.com.au*, 2 April 2024, accessed 9 May 2024.

2.7 Qantas announces changes to its loyalty program

On 8 April 2024 Qantas announced changes to its loyalty program. Classic Plus is a new type of reward seat that is available for flights commencing from 1 July 2024 and essentially provides a points redemption conversion amount for commercially available fares. It is expected that the new initiative will have fully launched across Qantas' domestic and international network by the end of 2024.

The announcement follows general consumer dissatisfaction about their experience with the Qantas frequent flyer program, including as noted in submissions made to the Senate Inquiry into Bilateral Air Service Agreements in September 2023.³⁴ The key consumer concerns include the insufficient value of frequent flyer points and the lack of seats available for redeeming points. Given the way the new Classic Plus Reward fares work, it will increase the availability of reward seats, however these seats will usually require more points to redeem than the usual Classic reward seats.

³⁴ Parliament of Australia, [Commonwealth Bilateral Air Service Agreements](#), October 2023, accessed 9 May 2024.

3. Industry activity and reliability of performance

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

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

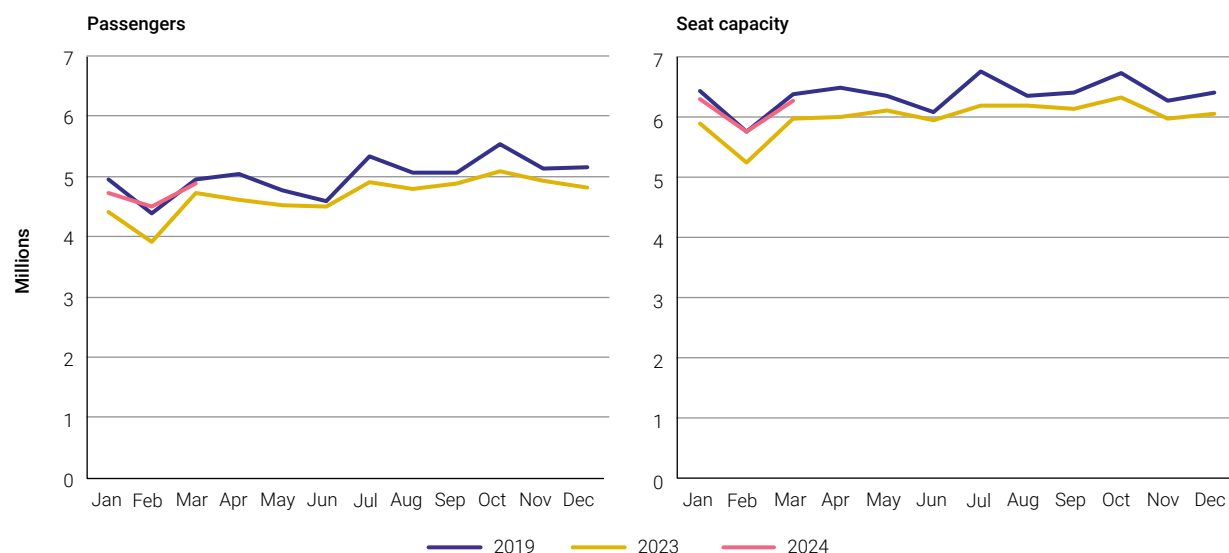
Section 3.2 uses Bureau of Infrastructure and Transport Research Economics (BITRE) data up to March 2024 to analyse cancellation rates and on-time performance.

3.1 Passenger levels and capacity tracking along pre-pandemic levels

Analysis of domestic airline activity in the first 3 months of 2024 indicates that the industry has recovered from the COVID-19 pandemic, with passenger levels, seat capacity and load factors all either surpassing or close to 2019 levels. This compares to activity levels observed in 2023 that suggested the industry was still in recovery.

Figure 1 shows the monthly passenger levels and seat capacity for 2019, 2023 and 2024. It indicates there was greater levels of domestic travel in the first 3 months of 2024 compared to the 12 months prior.

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



Source: Data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.

Australia’s major airlines carried 4.9 million domestic passengers in March 2024. This represented 98.8% of March 2019 levels and was 3.3% higher than in March 2023.

In February passenger numbers surpassed pre-pandemic levels for the first time. Australian airlines carried nearly 4.5 million domestic passengers in February 2024. This was 102.6% of the levels recorded in February 2019. As detailed in section 2.5, the higher than usual February passenger levels in 2024 reflected increased demand in domestic travel due to significant one-off events.

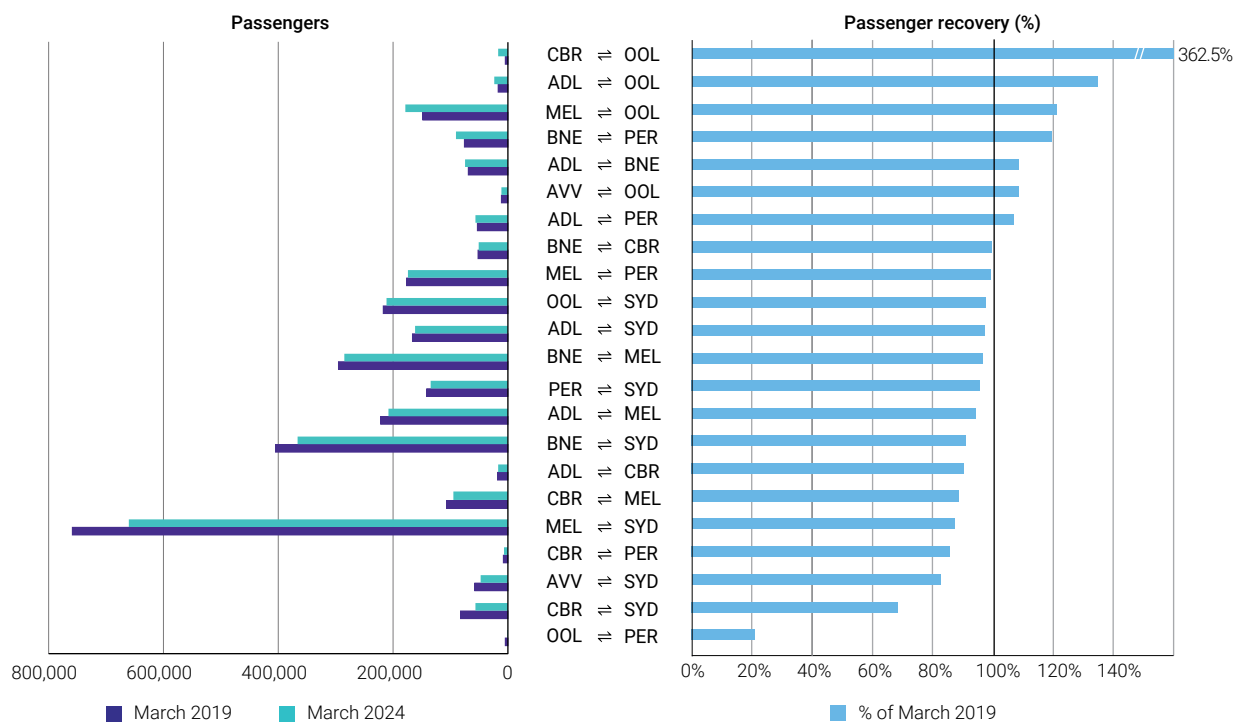
Similarly, airline seat capacity generally tracked along pre-pandemic levels for the first 3 months of 2024. The airlines flew around 6.2 million seats in March 2024, which was just below seat capacity recorded in March 2019. This also represented an increase of 292,070 seats (or 4.9%) from March 2023, when the industry was still recovering.

The industry-wide average load factor, measured by the percentage of available seats filled by passengers, has also tracked generally along pre-pandemic levels. In March 2024 the load factor was 77.9%, which was 1 percentage point lower than in March 2023 and half a percentage point higher than in March 2019.

Route recovery continues to reflect the structural changes in the market. Routes that rely more heavily on corporate travel, such as those between Brisbane, Melbourne and Sydney, are carrying relatively fewer passengers compared to their pre-pandemic levels. In contrast, leisure-based routes such as to the Gold Coast are performing more strongly.

Figure 2 ranks the routes connecting larger cities by the degree to which they have recovered to their pre-pandemic levels of passengers. Of these, 7 routes exceeded 100% of pre-pandemic passenger levels, including 4 routes to and from the Gold Coast and 2 routes to and from Perth.

Figure 2: Passenger levels on routes connecting larger cities – March 2019 compared to March 2024

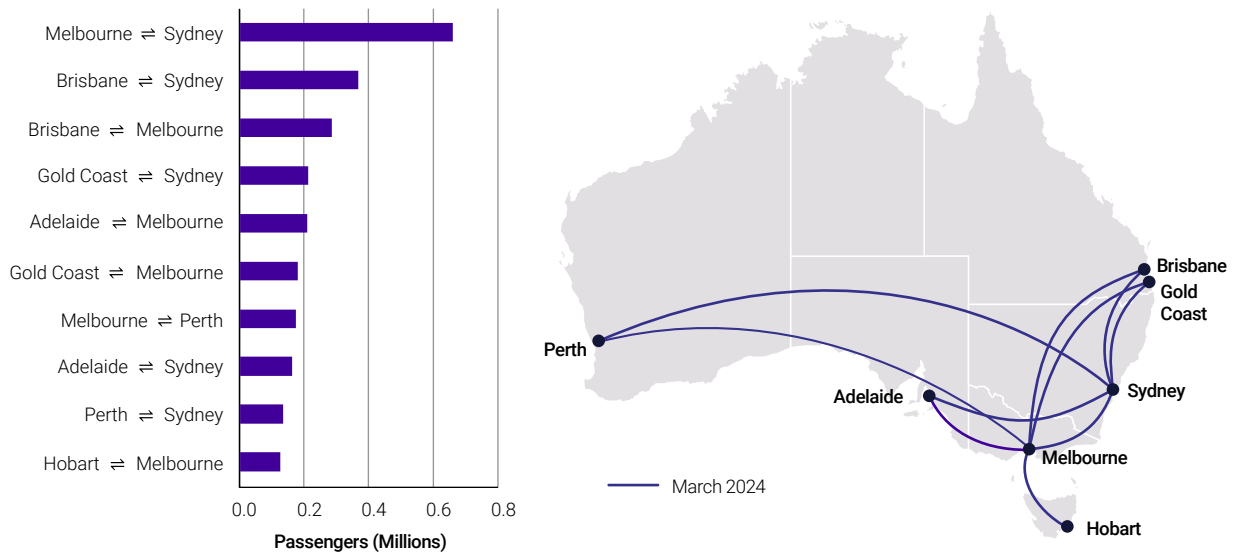


Source: Data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.

Note: CBR – OOL route has a passenger recovery of 362%. Virgin Australia data for 2019 includes data for Tigerair.

Figure 3 shows the busiest routes in Australia in March 2024 by passenger volume. While passenger volume recovery continues to lag for the Golden Triangle routes connecting Brisbane, Melbourne and Sydney, they remain the busiest routes in Australia. Melbourne – Sydney continues to be the busiest route with over 660,000 passengers, representing 15.6% of all domestic passengers.

Figure 3: Busiest routes by monthly passengers – March 2024



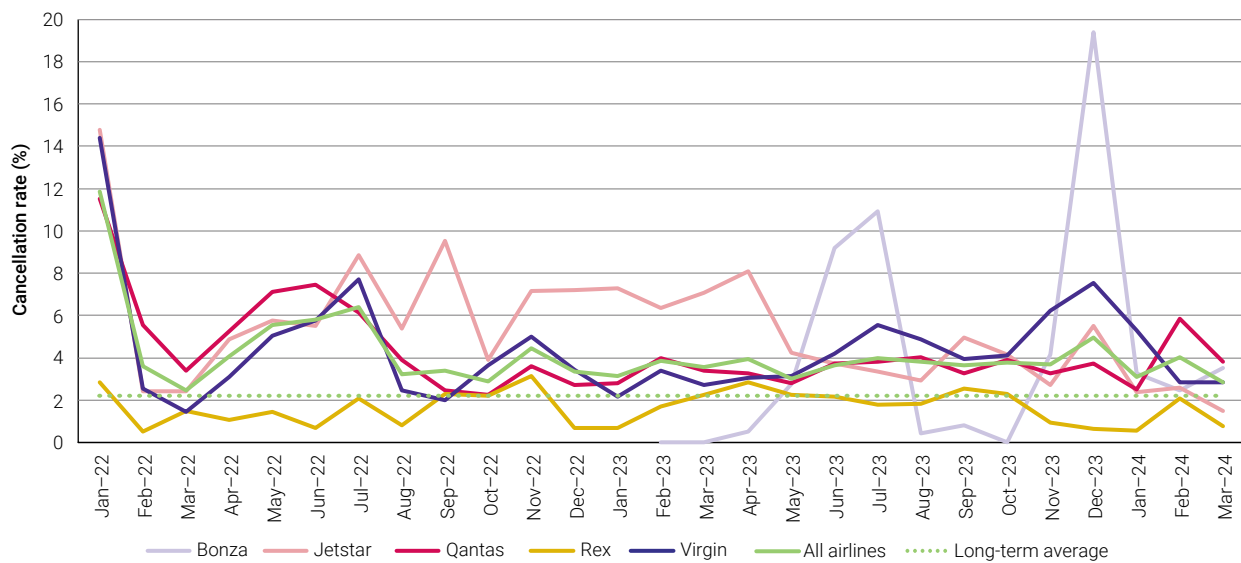
Source: Data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.

3.2 Service reliability still below long-term industry averages, but improving

Reliability of services in the domestic industry has generally improved over recent months, with cancellation and delay rates moving closer to long-term industry averages in March 2024.

Figure 4 shows the monthly cancellation rates for each of the monitored airlines compared to the industry average. In March 2024 the industry cancelled 2.8% or over 1,300 flights. Despite representing an improvement on the 3.6% cancellation rate recorded a year prior, it has remained above the industry long-term average of 2.2% for over 2 years.

Figure 4: Airline cancellation rates – January 2022 to March 2024



Source: BITRE, On-time performance time series – March 2024; data collected by the ACCC from Bonza. 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.

Qantas recorded the highest cancellation rate during March at 3.8%, followed by Bonza at 3.5%, Virgin Australia at 2.8% and Jetstar at 1.5%. Rex recorded the lowest cancellation rate of 0.8% amongst the airlines.

For Qantas and Jetstar, cancellation rates were higher in February, at 5.8% and 2.6% respectively. Qantas attributed their higher cancellation rates during February to mass pilot strikes in Perth. There were 550 flights cancelled (more than half of Qantas’ total cancellations) during this period due to seven 24-hour strikes.³⁵

Figure 4 shows a spike in cancellations for Bonza in December. As noted in our February report, this related to Bonza having too few aircraft to cover their flight schedule. Bonza underestimated how long it would take to secure regulatory approvals to operate aircraft sourced from Canada. Although some scheduling changes and the entry into service of these additional aircraft led to improved network resilience and a corresponding improvement to cancellation figures from December to March, Bonza abruptly cancelled all services after lessors of the aircraft issued termination notices on 29 April (see section 2.1).

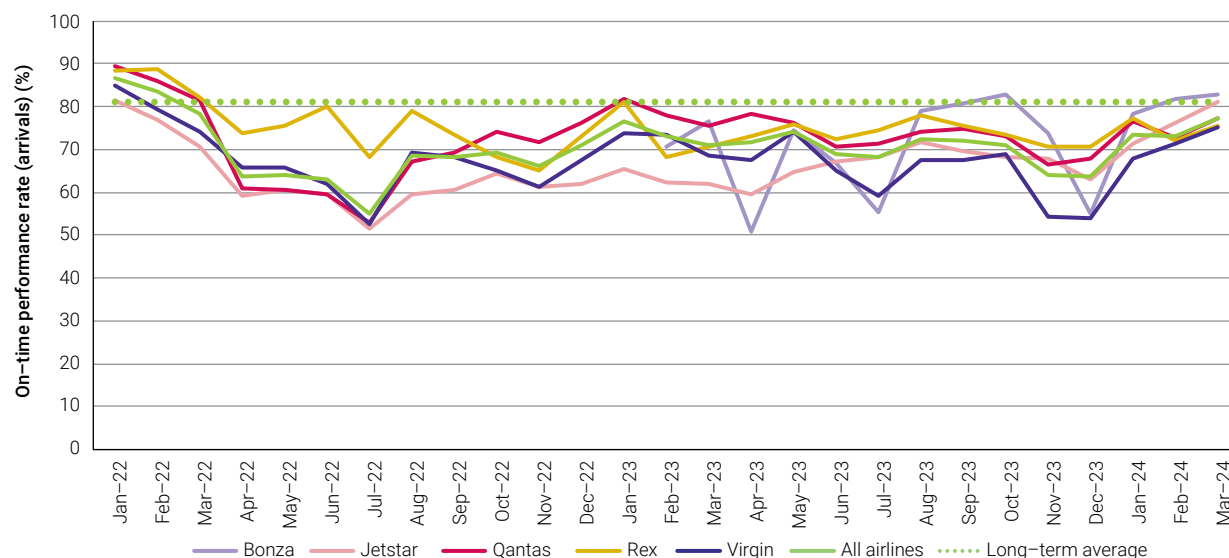
Cancellation rates on some major domestic routes such as Canberra to Sydney improved significantly from December 2023 (5.2%) to March 2024 (1.8%). Both major carriers on this route recorded significant improvements to their cancellation figures. Qantas’ cancellation rates from Canberra to Sydney improved from 6.1% in December 2023 to 2.4% in March 2024, while Virgin Australia’s reduced from 3.7% to 0.8% for the same period.

Consistent with the lower cancellation rates observed in March 2024 is increased on-time performance.

³⁵ E Campbell, ‘Cancellations and delays continue to burden domestic travellers with 1-in-4 flights arriving or departing late in February, new transport data shows’, *NT News*, 22 March 2024, accessed 9 May 2024.

Figure 5 shows that the industry reported 77.2% of flights as arriving on-time in March 2024. This represents more than 10,000 flights arriving more than 15 minutes late.

Figure 5: Airline on-time performance rates (arrivals) – January 2022 to March 2024



Source: BITRE, On-time performance time series – March 2024; data collected by the ACCC from Bonza. 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.

On-time arrival rates substantially increased to March 2024, from 63.6% in December 2023. Despite the significant improvement, on-time performance remains below the industry long-term average of 81.0%.

Prior to the announcements of suspended operations in late April (see section 2.1), Bonza’s on-time performance was the highest amongst the monitored airlines at 82.8% in March 2024. Virgin Australia and Jetstar both recorded 3 consecutive monthly increases from December 2023 with an on-time performance rate of 75.1% and 80.9% respectively in March 2024. This followed Virgin Australia’s relatively low on-time performance rates during the second half of 2023.

Airservices Australia acknowledged that shortages in its air traffic control staff contributed to poor network performance at the end of 2023, but this appears to have improved in 2024. The proportion of ground delay minutes attributable to Airservices in December 2023 was relatively high at 16.2%, however this rate fell to 9.2% in April 2024.³⁶ Overall, Airservices attributable interruptions have reduced since the high rate recorded in December. Notably, March represented the lowest levels of attributable interruptions in 12 months at 4.0%. While air traffic control staff absences are a factor contributing to poor reliability, other factors can also impact, including pilot shortages, pilot training bottlenecks, weather-related disruptions and some supply chain disruptions.

³⁶ Airservices Australia, [April Australian Aviation Network Overview](#), p 18, accessed 10 May 2024.

4. Competition

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

As with Chapter 3, Bonza, Qantas Group, Rex and Virgin Australia have supplied the ACCC with monthly data to March 2024 to inform this analysis.

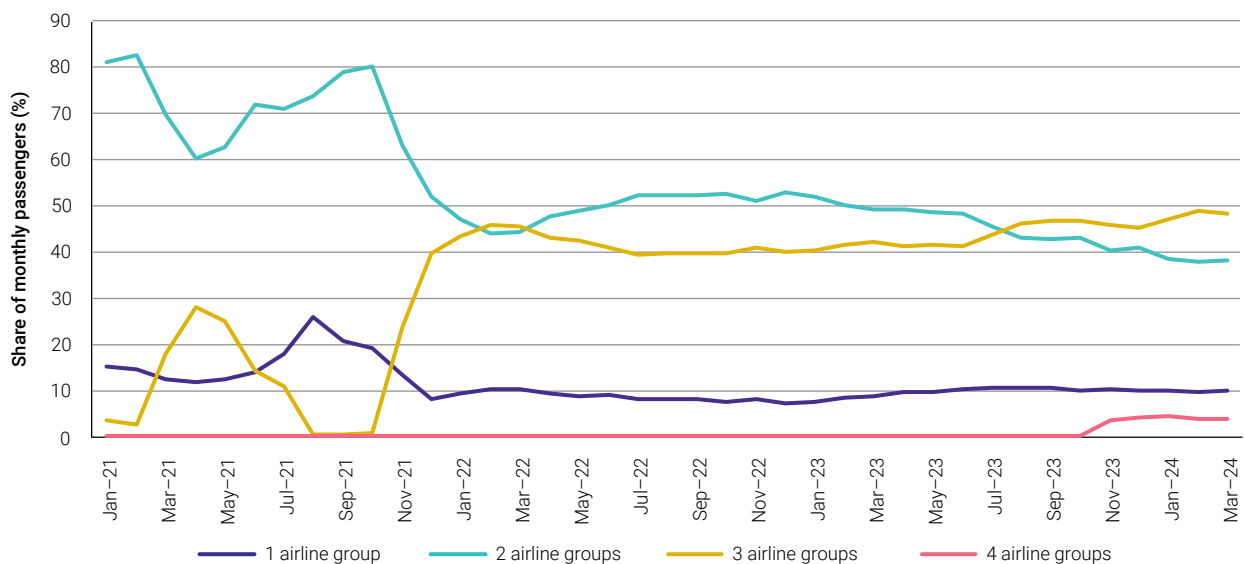
The 2 airlines within the Qantas Group – Qantas and Jetstar – are not considered to be in competition with each other.

4.1 More passengers serviced by 3 and 4 airline groups

Consumers are more likely to receive better quality of service, greater options and lower airfares when there is more competition on the route.

Figure 6 shows the share of passengers who were flying on routes with 1, 2, 3 or 4 competing airline groups between January 2021 and March 2024. In March 2024 51.9% passengers flew on a route with either 3 or 4 airline groups, compared to 2019 when there were no routes with more than 3 competing airline groups. This began to change in early 2021 when regional airline Rex acquired jet aircraft and commenced operations on intercity routes in competition with Qantas Group and Virgin Australia.

Figure 6: Share of passengers on routes serviced by 1, 2, 3 and 4 airline groups – January 2021 to March 2024



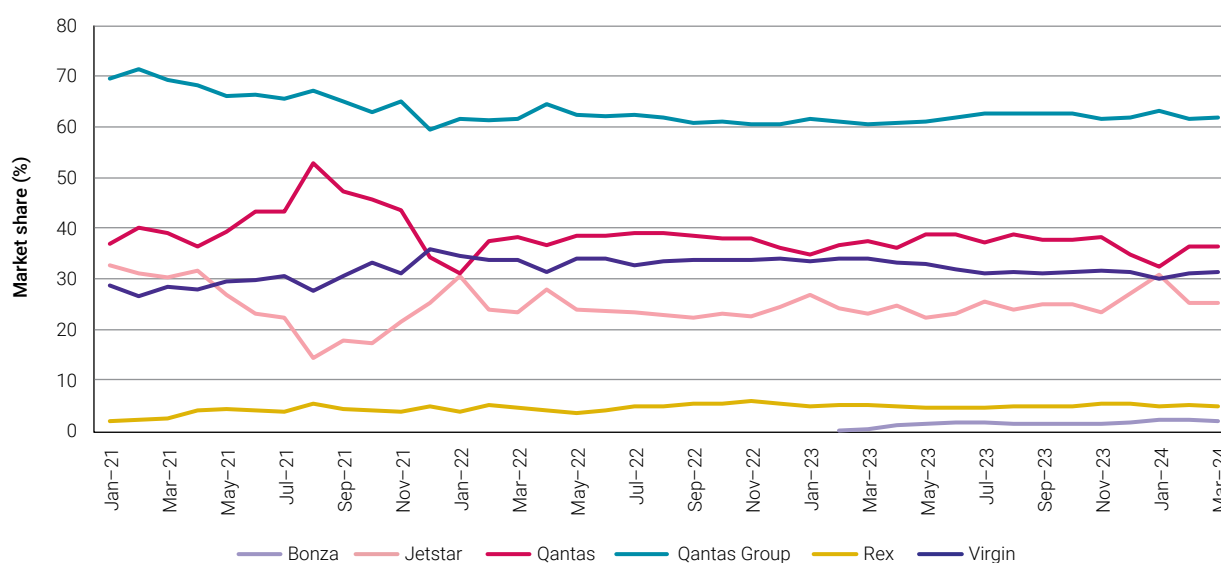
Source: Data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.
 Note: Airline groups comprise Qantas Group (including Jetstar), Virgin Australia, Rex and Bonza.

Between March 2022 and July 2023, most passengers flew on routes serviced by 2 airline groups. Since August 2023 more passengers flew on routes serviced by 3 instead of 2 airline groups. The recent news of Bonza going into voluntary administration will impact on this going forward (see section 2.1 for further details).

4.2 The domestic air passenger market remains highly concentrated

Figure 7 shows domestic air passenger market shares by airline groups. The market has remained highly concentrated with Qantas Group (comprising Jetstar and Qantas) carrying 61.8% of passengers in March 2024. This is followed by Virgin Australia (31.3% market share), Rex (5.0% market share) and Bonza (2.0% market share).

Figure 7: Airline passenger market shares across all domestic routes – January 2021 to March 2024



Source: Data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.

From January to March 2024, Virgin Australia, Rex and Bonza’s market shares all remained relatively stable. Over the same period, Qantas’ market share increased by 4.1%, to 36.4%, while Jetstar’s market share decreased by 5.5%, to 25.3%.

The fall in Jetstar’s market share between January and March 2024 reflects the lower demand for the low-cost carrier’s services for holiday travel as the summer months and school holidays concluded. Over the same period, Qantas and Virgin Australia’s market shares increased reflecting a shift in market demand to corporate travel.

5. Airfares and jet fuel prices

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

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

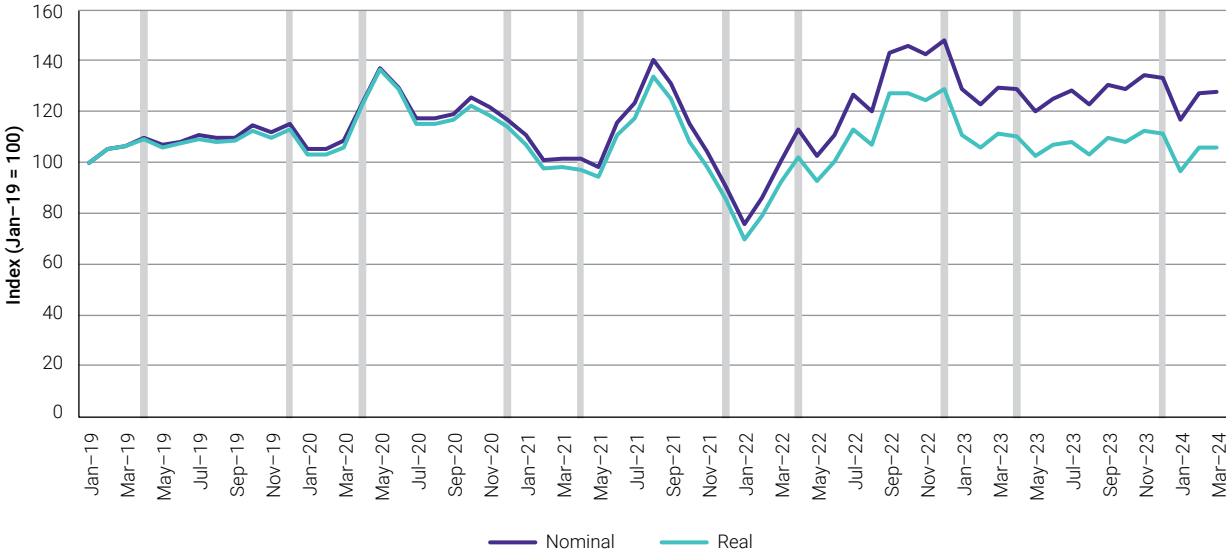
The jet fuel data in section 5.2 is current to April 2024.

5.1 Airfares are stabilising

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 inflation-adjusted real prices.

Figure 8 shows average revenue per passenger to March 2024, represented as an index to show changes relative to January 2019. This is illustrated in both real and nominal terms.

Figure 8: Index of average fare revenue per passenger – January 2019 to March 2024



Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.

Note: (1) The 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, food and drink sold on board. (2) Data has been adjusted for inflation using ABS CPI quarterly data up to March 2024. (3) Grey bars indicate December and Easter holiday periods.

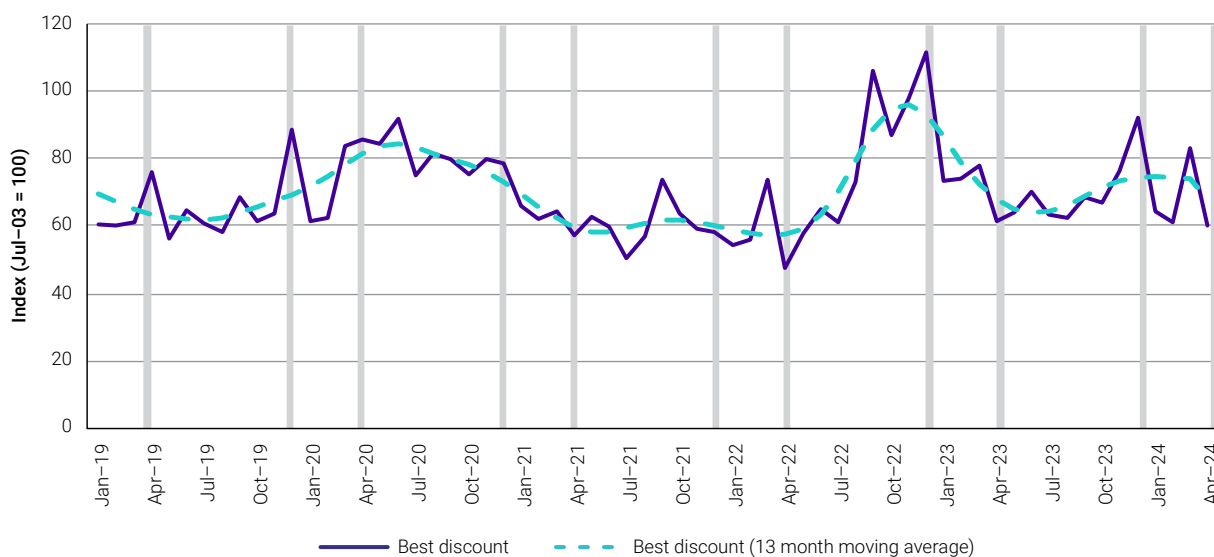
Nominal figures indicate what passengers pay for an airfare but does not account for changes in purchasing power due to inflation. In March 2024 average fare revenue was 19.9% higher than pre-pandemic levels (March 2019) in nominal terms, but 0.4% lower than in March 2019 if adjusted for inflation. However, average fare revenue decreased from March 2023 to March 2024 in both nominal (by 1.4%) and real (by 4.8%) terms.

Over the 3 months to March 2024, average fare revenue was a little volatile, decreasing by 13.2% from December 2023 to January 2024 in real terms, before bouncing back in February with a 9.2% increase. It was likely that this was driven by the surge in demand as mentioned in section 2.5. Average fare revenue was relatively stable from February to March 2024.

Price indices calculated by the BITRE have also shown a fall in the real price of domestic airfares from April 2023 to April 2024. BITRE’s indices are based on the cheapest available fare and therefore may not represent price movements more broadly.

Figure 9 shows the best discount economy airfares (measured in real terms) spiked in March before decreasing sharply in April 2024.

Figure 9: Real price index of the best discount economy airfares – January 2019 to April 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).

Discounted airfares are typically at their highest during times of school holidays, in particular the Christmas and Easter periods. In April 2024 the best discount economy airfares were 2.3% less than they were in April 2023.

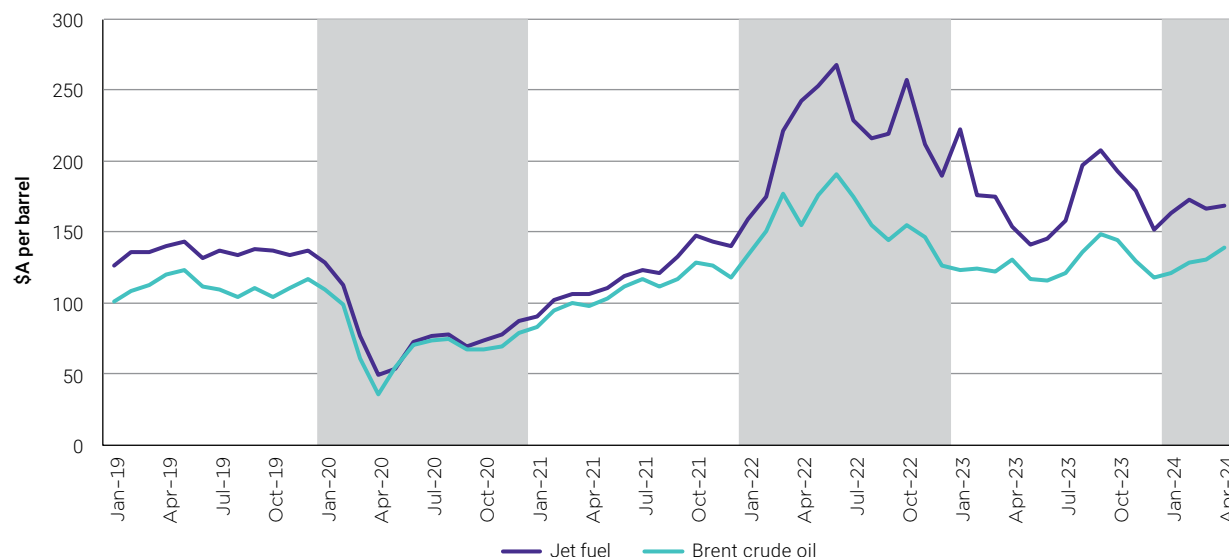
The fall in best discount economy airfares from April 2023 to April 2024 was observed across many routes collected by BITRE. Airfares on some routes have reduced significantly more than others since April 2023. In particular, the cheapest return fares for Canberra – Sydney decreased to \$203 (down 58%) in April 2024. Similarly, several routes that have also decreased over the same period include Cairns – Gold Coast (down 29% to \$298) and Adelaide – Perth (down 28% to \$358).

BITRE also calculates price indices for business and restricted economy airfares, which are derived from the lowest available fare observed by BITRE. Between April 2023 and April 2024, the price index for business airfares decreased in real terms by 5.6%, while it increased by 1.4% for restricted economy airfares.

5.2 Jet fuel prices remain above pre-pandemic levels

Jet fuel is a significant contributor to an airline’s operating costs. Figure 10 shows the jet fuel prices in real terms between January 2019 and April 2024.

Figure 10: Real jet fuel and Brent crude oil prices – January 2019 to April 2024



Source: ACCC calculations using ABS, RBA and US EIA 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 April 2024.

The price of jet fuel increased by 11.0% between December 2023 and April 2024, from \$151.3 per barrel to \$168.0 per barrel.

When compared to the record high prices in June 2022, jet fuel prices dropped by 37.3%. However, as at April 2024, jet fuel prices were still much higher than pre-pandemic (April 2019) levels by 20.3% in real terms.

6. Connectivity in the domestic air passenger market

Aviation connects Australian communities and generates significant benefits to the national economy. Air connectivity is especially important in Australia given its large land mass and its highly dispersed population. People can often have few viable alternatives to air travel to see the country, visit friends and relatives, access health services and conduct business.

Air transport therefore provides essential services to regional and remote communities, and supports the higher education, tourism, resources, construction and manufacturing sectors. Connectivity through more direct services, better service frequencies and affordable airfares play a large role in creating these economic and social benefits.

Air connectivity is a composite measure of the ease and convenience of flying between various locations. This chapter explores Australia's domestic air connectivity, including that which was provided by Bonza prior to its suspended operations by:

- the number and type of direct regular public transport routes offered by the 5 main airline brands (section 6.1)
- service frequencies at Australia's domestic airports (section 6.2).

Section 6.2 also uses the case study of the Adelaide to Hobart route to demonstrate the relationship between low direct weekly frequencies and passenger inconvenience in the event of flight cancellations.

Unless specified, this chapter uses data provided by Bonza, Qantas Group, Rex and Virgin Australia. Although not included in this data, smaller airlines are also essential to domestic air connectivity, including to remote and regional destinations. Separately, several airlines operate dedicated charter services to transport the 'Fly-in Fly-out' workforces of resources companies to and from airports near mining operations in remote areas of Australia.

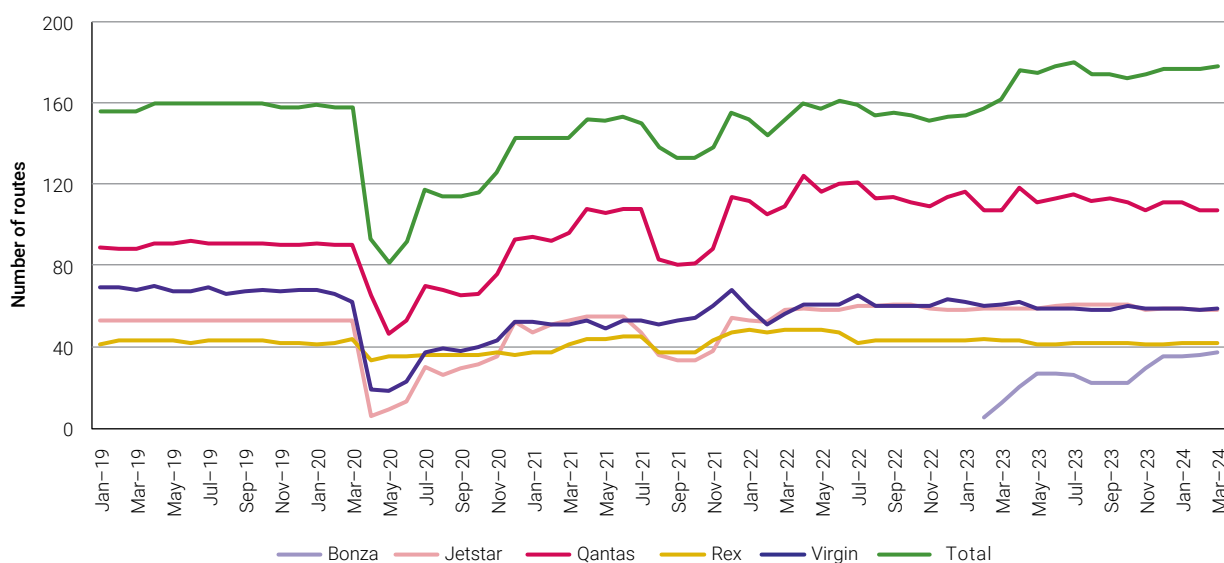
The Australian Government's upcoming Aviation White paper will consider the role of airlines and airports in supporting regional economies.

6.1 Bonza's suspension a setback for recent domestic flight network connections

The Australian domestic air network had been growing in recent years, but this growth is now at risk with Bonza going into administration.

Figure 11 illustrates the combined and individual changes in the numbers of domestic routes serviced by Bonza, Jetstar, Qantas, Rex and Virgin Australia between January 2019 and March 2024.

Figure 11: Number of routes service by airline, January 2019 to March 2024



Source: Data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.
 Note: We use a minimum of 7 monthly flights on each route to count the number of routes. Routes with less than 7 monthly flights are not included.

As at March 2024 there were 178 routes across the domestic network. Over the preceding 12 months, the overall size of the domestic network has consistently exceeded 2019 levels. The main driver of the resurgence in the size of the domestic flight network of the past year was Bonza’s net expansion onto previously unserved routes, while Qantas has also increased its network since before the pandemic.

Over the last 5 years, Qantas has serviced the largest domestic route network, peaking at 124 routes in March 2022 and down to 107 routes as at March 2024. Jetstar and Virgin have operated on smaller, comparably sized networks since early 2022, (58 and 59 routes respectively). In March 2024 Bonza’s network size was commensurate with Rex’s (37 and 42 routes respectively).

Figure 12 shows the number of routes as broken down by Major Cities, Regional and Remote classifications. It shows that the increase in regional routes over the past year was the key driver of the overall expansion in the domestic flight network. By contrast, the number of routes classified as ‘Remote’ has not recovered to pre-pandemic levels and is down 8 routes relative to March 2019. We discuss these discontinued routes in more detail below.

Figure 12: Number of routes across the domestic air passenger network by type, March 2024



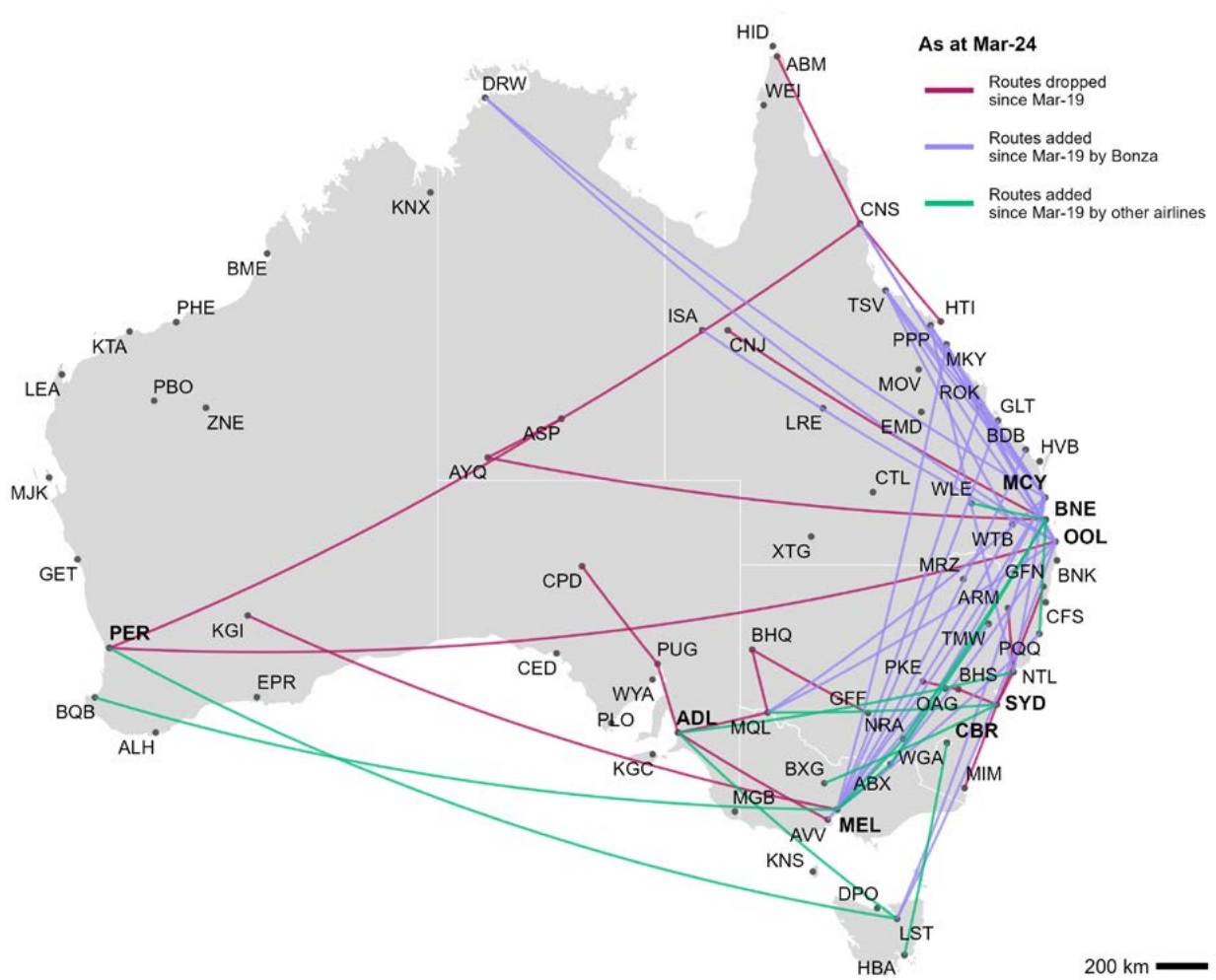
Source: ACCC calculations using data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.
 Notes: (1) Remoteness area is based on Australian Statistical Geography Standard (ASGS) Edition 3 (ABS 2021 version). Major Cities routes: both airports are in Major Cities of Australia. Regional routes: at least one airport is in Inner Regional Australia or Outer Regional Australia, but not in Remote or Very Remote Australia. Remote routes: at least one airport located in Remote Australia or Very Remote Australia. (2) Routes with less than 7 monthly flights are not included.

The Australian Government supports remote and isolated communities through the Remote Air Services Subsidy Scheme and the Enroute Charge Payment Scheme. These schemes subsidise essential air services and promote connectivity on less commercially viable routes, including specific support for Norfolk Island and the Indian Ocean Territories. Australian states and territories implement various regulations and support mechanisms, such as capping prices, subsidising fares and assisting with medical travel costs, helping to ensure essential air services are maintained and accessible.³⁷

Figure 13 compares the March 2019 and March 2024 total RPT route networks with a focus on new and discontinued routes. The map shows that the majority of the 44 new direct routes as at March 2024 were on the east coast of Australia. The main contributor to this change was Bonza, adding 31 of the 44 routes, as marked in purple in Figure 13. Of these, Bonza serviced 11 routes to and from the Sunshine Coast and 8 routes to and from the Gold Coast exclusively. Almost all (7) of the remaining routes serviced exclusively by Bonza operated to and from Melbourne.

³⁷ Australian Government, [The Aviation Green Paper](#), 7 September 2023, accessed 9 May 2024.

Figure 13: Map of new and discontinued routes on the domestic air passenger network, March 2019 and March 2024



Source: ACCC calculations using data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.
 Note: For multi-hop routes such as Sydney – Lismore – Grafton, the route is shown as Sydney – Grafton. Route count is based on routes that operate a minimum of 7 flights per month. The Gold Coast – Perth route operated 6 flights in March 2024, and is therefore denoted as a dropped route.
 This map focuses on the mainland and Tasmanian routes only. Brisbane (BNE) to Lord Howe Island Airport (LDH) route is not shown on this map.

As noted in section 2.1, Bonza has not yet resumed services following the suspension of all its services and entry into voluntary administration in April 2024. If Bonza does not resume services, it would be a major setback to air connectivity in Australia, particularly for the Sunshine Coast of which Bonza accounted for 26.4% of the airport’s total monthly seat capacity along with other regional communities along the east coast.

The balance of 13 new routes contributed by the other airlines are marked in green, while the 22 routes that have dropped off the network since March 2019 are marked in red (as at March 2024).

Of the routes marked in green in Figure 13, Qantas contributed 11 new routes including 2 new Sydney-based routes to Bendigo and Mildura. Meanwhile, Jetstar and Virgin Australia collectively added 3. Of these routes, Cairns – Rockhampton route was serviced by Bonza and Qantas, while Melbourne – Wagga Wagga was serviced by Qantas and Rex.

Rex dropped 12 routes over the observed period; the most of any airline. This comprised of 10 Regional and 2 Remote routes. The routes included Adelaide – Mildura, Broken Hill – Griffith

and Coober Pedy – Port Augusta. Qantas withdrew from 5 Remote routes including Alice Springs – Cairns and Brisbane – Lord Howe Island. Jetstar and Virgin collectively withdrew from 5 routes.³⁸

Although not included in the reported data, smaller airlines currently operate on some routes that the larger carriers have discontinued. For example, 3 routes dropped by Qantas (Alice Springs – Perth) and Rex (Northern Peninsula – Cairns and Newcastle Williamtown – Sydney) are now flown by Airnorth, Skytrans and FlyPelican respectively.

A list of the routes dropped and added since March 2019 by route type can be found in the [Appendix](#).

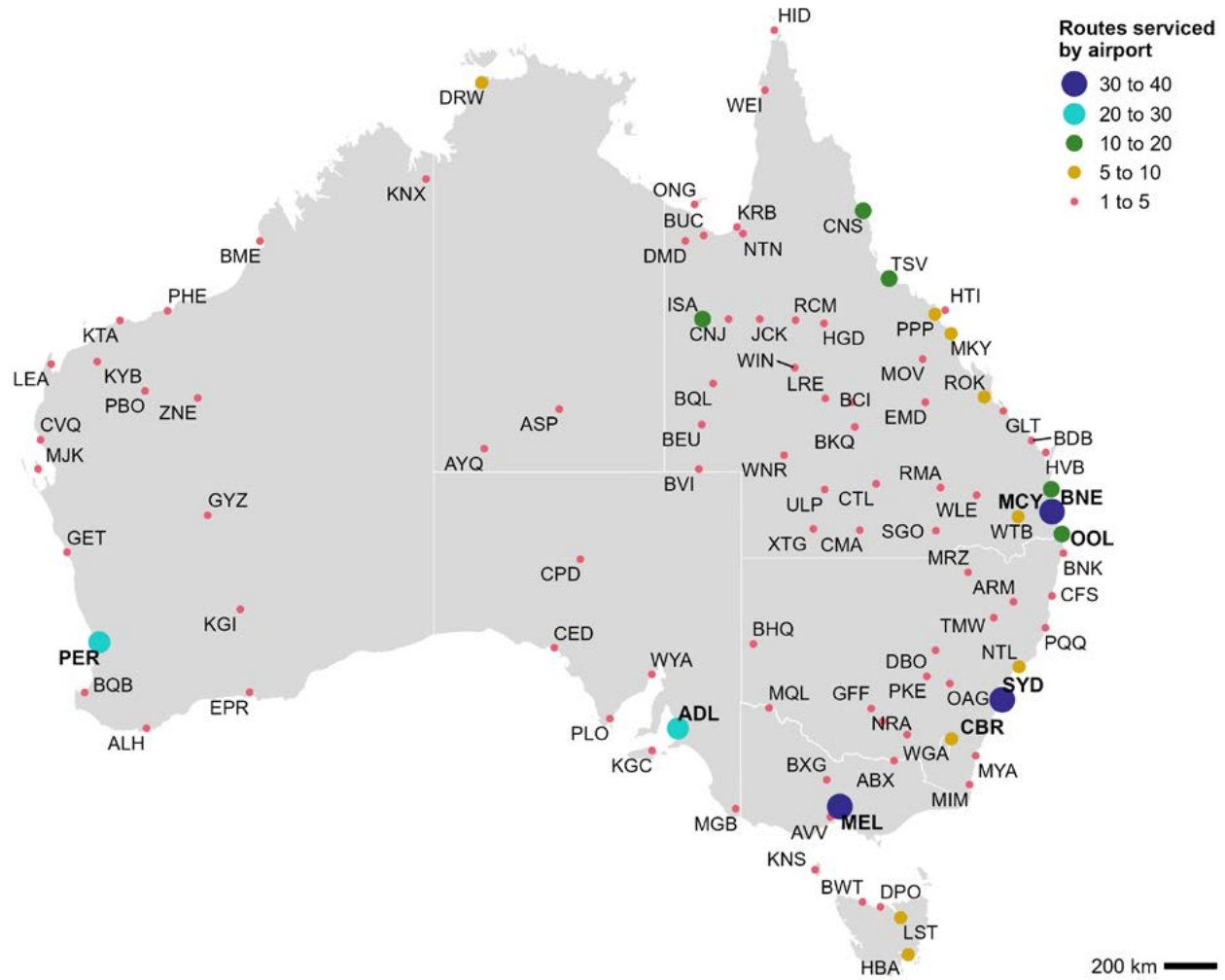
6.2 Connectivity can vary greatly by location

The level of connectivity can vary greatly by where you live in Australia. As to be expected, passengers connecting to the domestic flight network at Brisbane, Sydney and Melbourne airports can choose from the most direct routes and enjoy the highest service frequencies of any domestic airport.

Figure 14 illustrates the degree of connectivity by the total number of direct routes serviced by the 5 monitored airlines. Airports with a greater number of direct routes are represented by larger dots.

³⁸ Routes with less than 7 monthly flights are not included in the route count. Gold Coast – Perth had 6 flights in March 2024 and is therefore defined as a route that has been 'dropped' since March 2019.

Figure 14: Map of significant airport locations by degree of connectivity, March 2024



Source: ACCC calculations using data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.
 Note: This map focuses on the mainland and Tasmanian airports only. Cocos Islands Airport (CCK), Lord Howe Island Airport (LDH) and Christmas Island Airport (XCH) are not shown on this map.

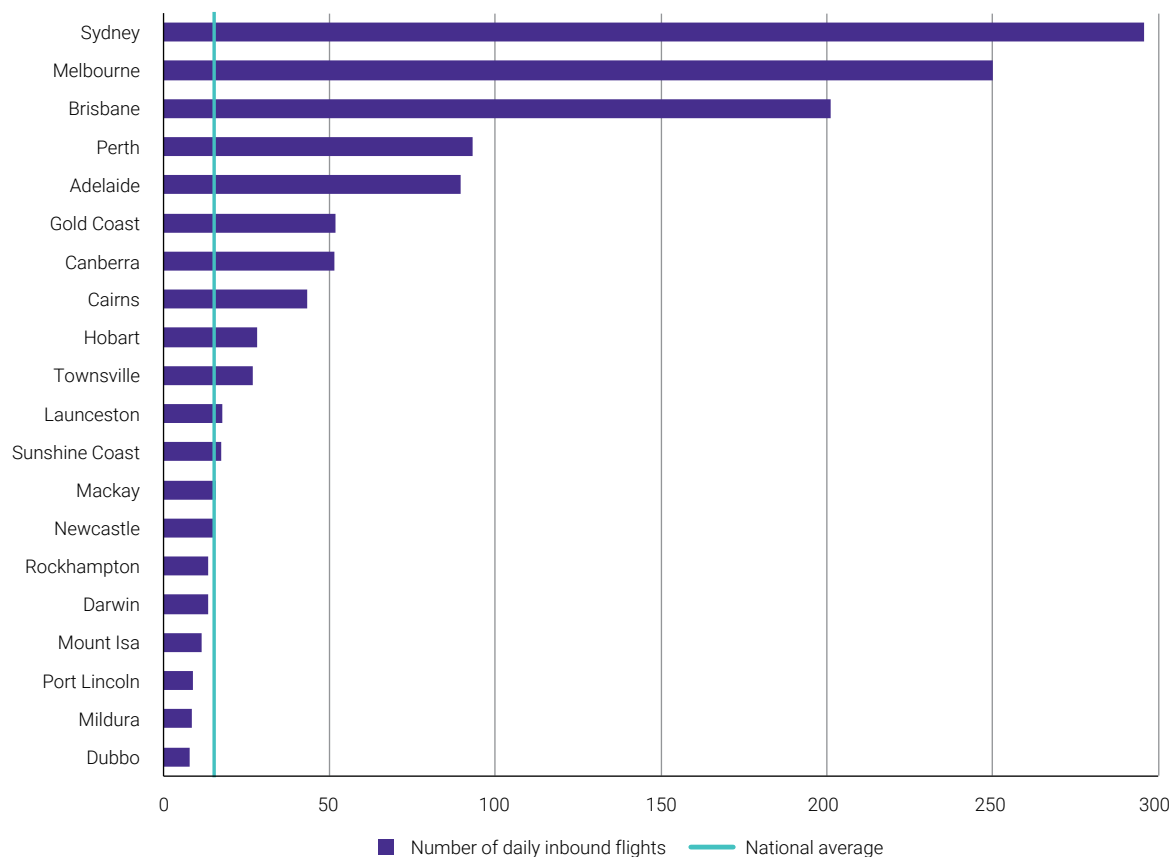
Sydney is the most connected airport with 39 direct routes followed by Melbourne with 36 routes and Brisbane with 33 routes. All airports located in Major Cities had 14 or more direct routes, except Canberra with 8 direct routes. Cairns (16 direct routes), Townsville (16) and Mount Isa (11) made up the top 10 most connected airports. Despite having a population of under 20,000, Mount Isa in northwestern Queensland has good direct connectivity due to its status as a major mining and regional centre. Given its remoteness, Mount Isa relies heavily on air passenger transport, particularly from Townsville, Cairns and Brisbane.³⁹

Access to direct flights provides opportunities for economic growth, as well as for people’s ability to visit family and friends. There would be significant impacts for some regional communities should Bonza not recommence its operations. As the airline’s main operating base, Maroochydore (Sunshine Coast) airport would see a reduction from 14 direct connections to 3. Similarly, Coolangatta (Gold Coast) airport would see the number of direct connections halved.

39 Mount Isa Airport, [About Mount Isa Airport](#), accessed 9 May 2024.

The level of connectivity offered by a particular airport can also relate to the frequency of services across each available route. Figure 15 compares the connectivity of the 20 busiest airports in Australia by service frequencies, against the national average. Sydney, Melbourne and Brisbane airports had the highest frequencies with 296, 250 and 201 average daily inbound flights respectively.

Figure 15: Average daily domestic inbound flights for top 20 airports, March 2024



Source: ACCC calculations using data collected by the ACCC from Bonza, Jetstar, Qantas, Rex and Virgin Australia.

The other capital city airports had less than half of the Golden Triangle airports’ frequencies; Perth and Adelaide were at comparable levels (93 and 89 respectively), while Canberra had 51 average daily inbound services (comparable to the Gold Coast at 52 services). Hobart and Darwin had the fewest services of any state or territory capital city airports at 28 and 13 services respectively.

In March 2024 the national average frequency across the 100 busiest airports was 15 inbound flights per day. Notably, 62 of these airports had fewer than 5 daily inbound flights on average. The top 20 busiest airports accounted for 84% of daily inbound flights across the domestic network of the largest 100 airports by service frequency.

In terms of connectivity to Major Cities, Sydney, Brisbane and Melbourne had the most average daily inbound flights from Regional airports (at 94, 83 and 62 respectively). Perth had the highest number of flights (34 daily inbound flights) from Remote airports, followed by Brisbane and Adelaide (14 daily inbound flights each). As noted above, there is a relatively high frequency of travel in Mount Isa due to the nature of the fly in fly out (FIFO) market as well as the region’s remoteness.

6.3 Implications for passengers on less connected routes

As noted in section 6.2, connectivity varies significantly by airport, including on services between Major Cities. A major delay or cancellation on a route with low frequency services and where alternative modes of transports are unavailable, can be costly and inconvenient for passengers, as illustrated in the following case study. The case study example highlights some economic inefficiencies that may not otherwise exist in a more competitive market.

Case study: Options for a passenger who takes a trip from Adelaide to Hobart

As shown in Figures 14 and 15, although classified as a Major City, Adelaide airport's connectivity in terms of frequency of flights and choice of destinations directly serviced is relatively lower than for other Major City airports.

This case study examines the options for a passenger who takes a trip to Hobart from Adelaide and highlights the inconvenience to consumers of Adelaide airport's lower frequency connectivity where scheduled services are cancelled.

As at the end of March 2024 for a passenger who wished to travel to Hobart, there were up to 2 direct flights that operated each day:

Table: Schedule of direct flights from Adelaide to Hobart, March 2024

Airline	Direct flights per week	Schedule
Jetstar	5	Every Monday, Wednesday, Thursday, Friday and Sunday at 5:45 pm
Qantas	3	Every Tuesday, Thursday and Saturday at 8:15 am
Virgin	3	Every Monday, Wednesday and Friday at 3:20 pm

Source: Centre for Aviation Data Centre, Jetstar, Qantas and Virgin websites (accessed 15 March 2024).

There were 3 airlines that operated a direct service on this route in March 2024 – Qantas, Jetstar and Virgin – and total flight time is approximately 2 hours. However, schedules on this route can change quickly and dramatically. There were multiple instances between March 2022 and 2024 where the number of direct flights dropped to 3 per week and were serviced by a single airline.⁴⁰

Alternative options are to travel to Hobart via Melbourne or Sydney with Qantas, Virgin Australia, Rex, or Jetstar. In most circumstances this extends the travel time for these passengers to generally between 3.5 and 7 hours.

There may also be a significant time and monetary cost for consumers in the event of delays or cancellations. For example, Virgin Australia's policy in the event of a cancellation is to move the passenger to the next available Virgin Australia service to the same destination.⁴¹ If Virgin Australia cancelled its scheduled Friday afternoon direct service from Adelaide to Hobart, the next available scheduled multi-stop flight to Hobart would be on Saturday at 6am via Sydney, while the next direct flight would be on Monday. This means at minimum, that passenger is faced with an overnight stay plus a 5.5 hour-long trip via Sydney, instead of a 2 hour-long trip.

40 CAPA, [Route Capacity Analyser](#), accessed 9 May 2024.

41 Virgin Australia, [Guest Compensation Policy](#), section 4, accessed 9 May 2024.

Airlines are required to meet the consumer guarantees in the Australian Consumer Law when they supply their services, such as the guarantee that services are provided within a reasonable time. Where services are cancelled in circumstances where the airline has not met these consumer guarantees, consumers are entitled to a remedy which may be a credit, or refund, depending on the circumstances.

The airlines have compensation policies that set out the further assistance they will provide if a consumer's flight is delayed or cancelled, such as providing a voucher for, or reimbursing (up to a certain limit) the costs of, a meal and/or accommodation. However, an airline compensation policy cannot exclude consumers' rights under the Australian Consumer Law consumer guarantees. As stated in the ACCC's submission to the Aviation Green Paper, the ACCC considers changes are required to the aviation sector to improve outcomes for consumers given the lack of any effective mechanisms for consumers to resolve disputes and enforce their Australian Consumer Law consumer guarantees rights, as well as ongoing customer service issues.⁴²

The ACCC considers the following reforms would improve consumer protections in the sector:

- A truly independent airline ombuds scheme, with the ability to make binding decisions.
- The introduction of a targeted and fit-for-purpose compensation scheme for delayed or cancelled flights, which builds on existing Australian Consumer Law consumer guarantee rights and is underpinned by the ombuds scheme recommended above.

The ACCC is also advocating for reform to the consumer guarantees under the Australian Consumer Law to make it a contravention for businesses to fail to provide the remedies for consumer guarantees failures when they are legally required to do so.

42 ACCC, [Submission in response to the Aviation Green Paper](#), November 2023.

