



17 September 2015

Ms Marlene Tucker  
Executive Director  
International Air Services Commission  
GPO Box 630  
Canberra ACT 2601

Dear Ms Tucker, *Marlene,*

**Virgin Australia International – Application for Variation (Indonesia)**

Qantas Airways Limited (Qantas) makes the following submission in reference to Virgin Australia International Airlines Pty Ltd (VAI) applications of 4 September 2015, requesting variation to permit a wholly-owned subsidiary to use capacity under determinations on the Indonesia route, both for existing determinations and a renewal (the Applications).

The Applications contain no information on the entity that will utilise the capacity, other than that it is a “wholly-owned subsidiary” of VAI, nor do they provide any information about how that subsidiary will operate the capacity. It is therefore not clear how VAI and the relevant subsidiary, in exercising the requested variation, will comply with the requirements of the *International Air Services Commission Act 1992 (Cth)* (the Act) and the *Minister’s Policy Statement (No.5) of 19 May 2004* (the Minister’s Policy Statement). This information is essential, particularly given the structure of VAI’s operations (where all services required to operate the airline, including aircraft, crew and management, appear to be entirely, exclusively and irrevocably provided by Virgin Australia Holdings under its current ownership structure) and the absence of any details on the wholly-owned subsidiary which may be utilising the capacity. Clarification and support for the assertion that the unnamed subsidiary is actually an “Australian carrier” and that it is reasonably likely to obtain the necessary approvals and licences to operate the relevant capacity is necessary for a complete assessment of the application to be made.

As the Commission is aware, before making a decision on the request for variation, the Commission must be fully satisfied that the requirements of the Act and the Minister’s Policy Statement can and will be met, and that the decision to make the variation would be of benefit to the public. Based on the available information, questions remain about the basis upon which the VAI subsidiary can meet the various requirements necessary to utilise an allocation of capacity.

Should the Commission make a decision in favour of the requested variation after consideration of all the relevant information, we anticipate any decision will include conditions directed at ensuring certain ownership and control criteria are satisfied and maintained, and that the Commission will closely monitor compliance with such conditions.

The Qantas Group has two established Australian carriers operating capacity on the Indonesia route, Qantas and Jetstar Airways Pty Ltd. The Commission will appreciate the importance of all Australian carriers being subject to the same rules in respect of capacity entitlements allocated under International Air Services Commission framework.

We would be pleased to provide any further information the Commission might require in relation to this submission.

Yours sincerely,

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

**Andrew Parker**  
Group Executive, Government and International Affairs