



Australian Government

International Air Services Commission

DECISION

The Route:	New Zealand
The Applicant:	Virgin Australia International Airlines Pty Ltd (ABN 63 125 580 823)
Decision:	[2026] IASC 203
Variation Of:	[2017] IASC 113
Public Register File:	IASC/APP/202604

The Commission varies Determination [2017] IASC 113 to permit the use of the capacity on the New Zealand route for code sharing between Virgin Australia International Airlines Pty Ltd and China Southern Airlines Co. Ltd., subject to certain conditions. The permissions are valid for the duration of the determination commencing from the date of issue of this decision.

1 The application

1.1 On 22 January 2026, Virgin Australia International Airlines Pty Ltd (Virgin Australia) applied to the International Air Services Commission (the Commission) seeking to vary Determination [2017] IASC 113 (the Determination) to permit China Southern Airlines (China Southern) to code share on all Virgin Australia operated services on the New Zealand route, on a free sale basis. As part of its application, Virgin Australia provided the Commission, on a confidential basis, with a copy of its code share agreement with China Southern.

1.2 The proposed code share flights would operate between Sydney, Melbourne, Brisbane and Queenstown respectively.

1.3 Virgin Australia has also applied to vary its determinations on the Vanuatu route, to permit China Southern to code share, as marketing carrier, on all Virgin Australia operated services. This aspect of the application will be considered separately by the Commission.

1.4 In its application, Virgin Australia submits that the proposed code share arrangement would enhance connectivity between China, Australia, New Zealand and the South Pacific, improve access to regional and leisure destinations such as Port Vila, support inbound tourism and regional economic activity, and increase consumer choice through more seamless one-stop travel options.

1.5 As part of the application, Virgin Australia also sought the removal of the condition permitting the use of the capacity to offer code share services on the New Zealand route with Etihad Airways.

1.6 In accordance with section 22 of the *International Air Services Commission Act 1992* (the Act), the Commission published a notice on 23 January 2026 inviting submissions about the proposed variation. No submissions were received.

1.7 All non-confidential material supplied by the applicant is available on the Commission's website (www.iasc.gov.au).

2 Air services arrangements

2.1 Paragraph 7(2)(aa) of the Act provides that the Commission must not allocate available capacity contrary to any restrictions on capacity contained in a bilateral arrangement(s). Any variation made to an existing allocation of capacity should also not be contrary to any restrictions on capacity contained in a bilateral arrangement(s).

2.2 Under the Australia-New Zealand air services arrangements, Australian designated carriers may determine the frequency and capacity of services operated.

2.3 Additionally, the designated airlines of Australia that meet the Single Aviation Market (SAM) airline criteria, as specified in the Australia-New Zealand air services arrangements, may determine the frequency and capacity of services operated.

2.4 Australian designated carriers may enter into code share, blocked space or other cooperative marketing arrangements, whether as the operating or marketing airline, with any airline including airlines of third countries, provided only that the airline holds the appropriate authority to conduct air transport on the routes or segments concerned.

3 The Commission's consideration

3.1 Virgin Australia seeks to vary Determination [2017] IASC 113 which allocates unlimited passenger and freight capacity on the New Zealand route. The Determination permits Virgin Australia to offer code share services on the route with Etihad Airways, Singapore Airlines, Air Canada, Hawaiian Airlines, Qatar Airways and Air India.

3.2 Virgin Australia's application seeks to vary the determination to include a condition of a kind referred to in paragraph 15(2)(e) of the Act. In view of this, the application is a transfer application as so defined in subsection 4(1) of the Act. The Commission has assessed the application in accordance with section 25 of the Act.

3.3 Subsection 25(1) of the Act provides that the Commission must make a decision varying the determination in a way that gives effect to the variation requested, subject to subsection 25(2). Subsection 25(2) states that the Commission must not make a decision varying the determination in a way that varies, or has the effect of varying an allocation of capacity if the Commission is satisfied that the allocation, as so varied, would not be of benefit to the public.

3.4 Under section 26 of the Act, in assessing the benefit to the public of a variation of an allocation of capacity, the Commission is required to apply the criteria set out in any policy statement issued by the Minister under section 11 of the Act.

3.5 Under section 11 of the Act, the Minister made the International Air Services Commission Policy Statement 2018 (the Policy Statement) which came into effect on 28 March 2018. The Policy Statement sets out the criteria which the Commission is required to apply in assessing the benefit to the public of allocations of capacity.

3.6 Section 18 of the Policy Statement specifically deals with ‘transfer applications’ such as this one. It provides that, in assessing whether the variation requested would not be of benefit to the public for the purpose of subsection 25(2) of the Act, the Commission is to have regard to the ‘reasonable capability criterion’ set out in section 8 of the Policy Statement and may have regard to any of the additional criteria set out in section 9 that the Commission considers to be relevant. The Commission is also to have regard to the matters specified in paragraph 18(2)(b) of the Policy Statement to the extent that they are relevant to the variation under consideration.

3.7 Reasonable capability criterion is defined in section 8 of the Policy Statement to mean the extent to which Australian carriers are reasonably capable of: a) obtaining the necessary approvals to operate on and service the route; and b) using the capacity allocated under the Determination. The ‘additional criteria’ to which the Commission may have regard are set out in section 9 of the Policy Statement.

3.8 The Commission notes that Virgin Australia is an established Australian international carrier that currently operates up to 35 services per week on the New Zealand route¹. The Commission therefore finds that Virgin Australia is reasonably capable of obtaining the necessary regulatory approvals and of using the capacity allocated under Determination [2017] IASC 113.

3.9 The Commission notes that it has received no submissions opposing the variation sought in Virgin Australia’s transfer application.

China Southern

3.10 The proposed arrangement would see China Southern placing its code, as marketing carrier, on all services operated by Virgin Australia on the Australia-New Zealand route, on a free sale basis:

- Melbourne-Queenstown;
- Sydney-Queenstown; and
- Brisbane-Queenstown.

3.11 China Southern operates up to 21 services per week to New Zealand during peak travel periods, including up to 10 services from Guangzhou and Auckland², and up to daily services between Guangzhou and Christchurch³. The carrier also operates up to 74

¹ See New Zealand entry, Virgin Australia: [Northern Winter 2025-26 timetable summary](#)

² [China Southern Increases Auckland Service in NS26 — AeroRoutes](#)

³ [China Southern celebrates 10 years of connecting the South Island and China with more flights, cargo opportunity, and visa-free travel for Kiwi – Christchurch airport](#)

services per week between China and Australia from Guangzhou and Shenzhen to Adelaide, Brisbane, Melbourne, Perth, Sydney and Darwin⁴.

3.12 The Commission notes that it has previously permitted China Southern to code share, as marketing carrier, on Qantas Airways Limited (Qantas) operated services on the Australia-New Zealand route⁵. In the Northern Winter 2025-26 scheduling season, China Southern has been approved to code share on Qantas' Sydney-Auckland services⁶, operated at up to 43 frequencies per week.

3.13 As previously noted, section 18 of the Policy Statement specifies that in assessing whether the allocation, as so varied, would not be of benefit to the public for the purposes of subsection 25(2) of the Act, the Commission may have regard to any of the 'additional criteria' that it considers to be relevant.

3.14 The Commission notes the competition criteria that may be considered under section 9 of the Policy Statement that may be relevant in this case are: (a) the desirability of fostering an environment in which Australian carriers can effectively compete with each other and with foreign carriers on the route in question; (b) the number of carriers operating on the route in question and the existing distribution of capacity among Australian carriers; and (c) the likely impact on consumers of the proposed allocation, including on costs of airfares, customer choice, product differentiation, stimulation of innovation by incumbent carriers, and frequency of service.

3.15 The Commission is required to assess Australian public benefit and competition outcomes. The Commission has considered the proposed code share arrangement between Virgin Australia and China Southern, along with existing approvals for Qantas and China Southern to code share on the New Zealand route, in order to assess the applicability of the additional public benefit criteria relating to competition.

3.16 The proposed code share is based on a free-sale arrangement, meaning the marketing carrier (China Southern) is permitted to sell seats on the operating carrier's services (Virgin Australia), with unrestricted access to the operating carrier's inventory.

3.17 The existing arrangement between Qantas and China Southern is implemented on a free-sale basis, and is not exclusive in nature. The proposed arrangement between Virgin Australia and China Southern is also not exclusive. In this context, the Commission does not consider that the proposed arrangement between Virgin Australia and China Southern would adversely impact competitive dynamics between Virgin Australia and Qantas. Moreover, the code share services would not occur on parallel city pairs on the New Zealand route.

3.18 Permitting China Southern to market services operated by more than one Australian carrier may contribute to a more competitive environment on the Australia/trans-Tasman/China markets.

⁴ [China Southern Airlines starts flying between Darwin and Guangzhou – ABC News](#)

⁵ [\[2023\] IASC 123 | International Air Services Commission](#) refers

⁶ [Refer China Southern entry, China route](#)

3.19 The Commission considers that the proposed arrangement will provide consumers and tourists with additional options and greater choice when travelling between China, Australia and New Zealand, marketed through China Southern's distribution systems.

3.20 The Commission further notes that the proposed arrangement does not involve coordinated activities, joint pricing, revenue sharing; nor does it alter capacity levels operated on the Australia-New Zealand route. The arrangement does not reduce or increase the number of operating carriers on the route, and it does not restrict competition between the Australian carriers, Virgin Australia and Qantas, operating on the Australia-New Zealand route. Each carrier would continue to determine its own scheduling and capacity independently.

3.21 Accordingly, the Commission considers that there is unlikely to be any lessening of public benefit through authorising the code sharing arrangements between Virgin Australia and China Southern on the New Zealand route.

3.22 The Commission finds that the matters specified in subsection 18(2)(b) of the Policy Statement are not relevant to the variation under consideration. The Commission does not have information to suggest that Virgin Australia's transfer application involves speculative activity. Virgin Australia is an established international carrier that currently holds multiple determinations and other regulatory approvals enabling the carrier to operate scheduled international air services on various routes, including the Australia-New Zealand route.

3.23 Having considered the criteria set out in section 18 of the Policy Statement, the Commission is satisfied that the capacity allocation issued under Determination [2017] IASC 113 as proposed to be varied, permitting China Southern to code share, as marketing carrier, on flights operated by Virgin Australia on the New Zealand route, would be of benefit to the public. Therefore, in accordance with section 25 of the Act, the Commission must make a decision varying Determination [2017] IASC 113 in a way that gives effect to the variation as requested in Virgin Australia's transfer application.

3.24 Nothing in this decision should be taken as indicating either approval or disapproval by the Australian Competition and Consumer Commission (ACCC). This decision is made without prejudicing, in any way, potential future consideration of code share operations by the ACCC.

4 Decision varying Determination [2017] IASC 113 which allocates capacity to Virgin Australia International Airlines Pty Ltd on the New Zealand route ([2026] IASC 203)

4.1 In accordance with section 25 of the Act, the Commission varies Determination [2017] IASC 113 which allocates capacity to Virgin Australia International Airlines Pty Ltd on the New Zealand route, by:

removing the following from paragraph 4.3 of the Determination:

- the capacity may be used by Virgin Australia International Airlines Pty Ltd to offer code share services with Etihad Airways in accordance with the code share agreement between the airlines which came into effect on 26 August 2010, as amended.

adding the following conditions to paragraph 4.3 of the Determination:

- The capacity may be used by Virgin Australia International Airlines Pty Ltd to provide code share services with China Southern Airlines Co. Ltd., in accordance with the code share agreement between the airlines, made effective as of 8 December 2025.
- Virgin Australia International Airlines Pty Ltd must obtain the Commission's written approval before implementing any variation to the code share agreement between Virgin Australia International Airlines Pty Ltd and China Southern Airlines Co. Ltd., which would change: the code share services on the route, the relevant commercial aspects of the structure of the agreement from a free sale code share arrangement to a blocked space, or if the airlines propose to add third country routes on which the airlines will code share where Australian capacity will be used for services on that route.
- To the extent that the capacity is used to provide code share services on the route, the airlines must take all reasonable steps to ensure that passengers are informed, at the time of booking, of the carrier actually operating the flight.
- Nothing in this Determination exempts the airlines from complying with Australian Consumer Law.

4.2 This decision comes into effect from the date of issue and is valid for the duration of Determination [2017] IASC 113.

Dated: 06 March 2026



GENEVIEVE BUTLER
Chairperson



JANE MCKEON
Commissioner