



31 October 2023

Ms Jasmina Ackar
Director
International Air Services Commission
GPO BOX 630
CANBERRA ACT 2601

By email: Jasmina.Ackar@infrastructure.gov.au

Dear Ms Ackar,

Additional Information – Indonesia Route

I refer to your letter of 10 October 2023 inviting Qantas to provide an additional submission in support of our application regarding proposed code share arrangements with PT Garuda Indonesia (Persero) Tbk (**Garuda Indonesia**) on the Indonesia route addressing the competition criteria and the trade and tourism criteria in paragraph 9 of the *International Air Services Commission Policy Statement 2018*.

Qantas' comments addressing paragraph 9 of the Policy Statement are set out in Attachment 1.

We would be pleased to provide any further information the Commission may require in support of this application.

Yours sincerely,

Anna Pritchard
Executive Manager, Government, Industry & Competition



Proposed code share

As set out in Qantas' application to the Commission dated 20 September 2023, it is proposed that Garuda Indonesia offer code share services on flights operated by Qantas on the Indonesia route from 29 October 2023, or as soon as all necessary approvals have been received.

Under the code share arrangements, it is proposed that Garuda Indonesia place its code on Qantas' services between Sydney-Denpasar (Bali), Melbourne-Denpasar (Bali), Sydney-Jakarta and Melbourne-Jakarta.

Qantas, as the operating carrier, provides Garuda Indonesia with access to available inventory on a free sale basis.

The codeshare agreement has been prepared on a reciprocal basis, but Qantas does not intend to place its code on Garuda Indonesia services during the initial phase of the codeshare agreement.

Neither of the submissions received by the Commission object to Qantas' application.

The International Air Services Commission Act 1992

The proposed code share services with Garuda Indonesia will promote economic efficiency by fostering, encouraging and supporting competition in the provision of international air services between Australia and Indonesia.

The ability for Garuda Indonesia to expand its selling proposition by independently marketing and pricing additional services between Australia and Indonesia provides an increased range of choices and benefits for consumers.

In circumstances where there is no available capacity for Australian carriers to enter or expand to/from Australia's major gateways (Sydney, Brisbane, Melbourne, Perth) and Indonesia, the proposed code share would not impact the ability of Australian carriers to enter or grow on the Indonesia route from these gateways. As set out below, there is capacity available to Virgin Australia to grow on non-gateway routes to/from Indonesia and such opportunities are not impacted by the proposed code share.

Paragraph 9 Criteria – Minister's Policy Statement

The Minister's Policy Statement provides that, in assessing the benefit to the public of a variation of an allocation of capacity, the Commission should have regard to the following additional criteria set out in Paragraph 9 of the Minister's Policy Statement:

Competition Criteria

There are eight airlines operating direct services between Australia and Indonesia including Batik Air Indonesia, Citilink, Garuda Indonesia, Indonesia AirAsia, Batik Air Malaysia (formerly Malindo Air, operating between Kuala Lumpur and Australia via Denpasar), Jetstar Airways, Qantas and Virgin Australia.

During the 12 months leading up to April 2023,¹ Qantas and Garuda Indonesia operated 16 per cent of total capacity on the Australia-Indonesia route (12 per cent and four per cent respectively), compared

¹ Source BITRE for data up to and including April 2023, excluding Batik Air Malaysia, and Cirium DiioMi for all other data.

with Virgin Australia at 14 per cent. The combined average seat utilisation of Qantas and Garuda Indonesia is 84 per cent, which is comparable to Virgin Australia at 83 per cent.

For the 12 months to April 2024,² the published schedules of all carriers operating between Australia and Indonesia indicate growth in the total number of seats.

Carrier	Seats to/from Indonesia (May22-Apr23)	% of seats to/from Indonesia (May22-Apr23)	Seats to/from Indonesia (May23-Apr24)	% of seats to/from Indonesia (May23-Apr24)	% variance (Apr24-Apr23)
Batik Air Indonesia*	119,190	4%	402,120	8%	237%
Garuda Indonesia	136,908	4%	409,868	8%	199%
Indonesia AirAsia	224,280	7%	493,200	10%	120%
Citilink**	<i>Data not available in BITRE or Cirium Diiomi beyond 2020</i>				
Batik Air Malaysia	263,724	9%	435,294	9%	65%
Jetstar	1,546,156	50%	1,914,016	39%	24%
Qantas Airways	379,790	12%	545,632	11%	44%
Virgin Australia***	422,048	14%	708,848	14%	68%
Total	3,092,096	100%	4,908,978	100%	74%

* Batik Air Indonesia recommenced services from October 2022 (seven months of operations)

** Citilink recommenced services from 29 July 2023

***Virgin Australia started in June 2022 (11 months of operations)

In addition to these direct services, established third country carriers, such as Singapore Airlines, serve the market with a one-stop proposition. While the routes offered by the indirect carriers may be less attractive in terms of travelling time, they provide alternative timings and options for travellers that are less time sensitive.

Passenger capacity for third-fourth freedom services on the Indonesia route to/from Sydney, Melbourne, Brisbane and/or Perth has been fully allocated to Australian carriers. Qantas' allocation of 20,076 seats per week is largely utilised by Jetstar, operating up to 63 return services per week to/from Australia's four main gateways. Virgin Australia is allocated a total of 4,924 seats per week for third-fourth freedom services on the Indonesia route.

Virgin Australia's claim that there is "no way of growing its market share" is incorrect. While capacity has been fully allocated for third-fourth freedom services to/from Sydney, Melbourne, Brisbane and/or Perth, there is no limit on the number of passenger services that may be operated between all other points in Australia and Indonesia. This has enabled Virgin Australia to launch flights between the Gold Coast and Denpasar (Bali) from 29 March 2023, offering a total of over 90,000 seats a year.³

Garuda Indonesia has not returned to pre-COVID capacity levels on the Australia-Indonesia route, which is consistent with the significant reductions in capacity on its other international and domestic Indonesia routes. As set out in the table below,⁴ on average, Garuda Indonesia is operating approximately 42 per cent below pre-COVID levels of capacity across its domestic and international network.

Garuda Indonesia routes	Seats in 2019 (one-way ex Indonesia)	Seats in 2023 (one-way ex Indonesia)	Variance
Australia	402,889	161,734	-40%
Domestic Indonesia	20,842,387	8,791,163	-42%
Rest of World	2,611,107	1,115,741	-43%
TOTAL	23,856,383	10,068,638	-42%

² Source BITRE for data up to and including Apr-23, excluding Batik Air Malaysia, and Cirium Diiomi for all other data.

³ <https://newsroom.virginaustralia.com/release/virgin-virgin-australia-takes-gold-coast-bali-flights-%E2%80%9C-very-first-time%E2%80%9D-drops-fares-419>

⁴ Source Cirium Diiomi as at October 2023.

Any suggestion that the proposed code share would limit Garuda Indonesia’s motivation to increase services between Jakarta and Australia, or any other services, does not adequately consider the current circumstances of Garuda Indonesia as a result of the pandemic, including its significantly reduced fleet size.⁵

The proposed code share represents a pro-competitive expansion of Garuda Indonesia’s ability to sell and market itineraries and will not substantially lessen competition on the Indonesia route. It will not alter the incentives of carriers on the Australia to Indonesia route to continue competing and innovating to attract passengers with improved product and service offerings.

Rather than reducing competitive tension between Qantas and Garuda Indonesia, competition on the Indonesia route will increase as a result of enabling Garuda Indonesia to sell more itinerary options, with both Qantas and Garuda Indonesia continuing to price and sell independently of each other.

The code share agreement is not exclusionary and does not prohibit Qantas or Garuda Indonesia from entering into commercial partnerships with other carriers.

Tourism and Trade Criteria

The proposed code share would expand the number and timing of services that may be marketed and independently priced by Garuda Indonesia to/from Australia, providing additional options and choice for consumers. A summary of the options available in Northern Winter 2023 is provided in the table below.

Route	QF – weekly services	GA – weekly services	Timing Gap
Jakarta-Sydney	Daily	4	5hrs
Sydney-Jakarta	Daily	4	1hr
Jakarta-Melbourne	3 (357)	3 (136)	1hr
Melbourne-Jakarta	3 (357)	3 (247)	8hrs
Denpasar-Sydney	Daily	4	2hrs
Sydney-Denpasar	Daily	4	5.5hrs
Denpasar-Melbourne	5 (13567)	4 (2457)	1hr
Melbourne-Denpasar	5 (135 67)	4 (1356)	11hrs

This provides connectivity benefits as a result of the additional options for Garuda Indonesia to sell through journeys from domestic Indonesia and other international routes on a single airline code.

⁵ <https://www.planespotters.net/airline/Garuda-Indonesia?refresh=1>