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5 November 2026

Ms Jasmina Morling
Director
International Air Services Commission
GPO Box 630
CANBERRA ACT 2601

Supplementary submission supporting Virgin Australia's application for capacity on the Indonesia route

Dear Ms Morling,

I refer to the Commission's invitation of 22 October 2026 to provide a supplementary submission regarding Virgin Australia's application for capacity on the Indonesia route. Virgin Australia's submission to address this is outlined in Attachment 1, and Virgin Australia's proposed operating schedules from its application are restated in Attachment 2.

We submit that the Virgin Australia proposal better advances the object of the *International Air Services Commission Act 1992* (Cth) and provides a stronger comparative case under the relevant criteria in section 9 of the International Air Services Commission Policy Statement 2018. We ask the Commission to consider allocating the requested capacity to Virgin Australia on this basis.

The Virgin Australia proposal would improve competition on constrained Indonesia capacity, where more than 80% of the historical 25,000-seat pool is allocated to the Qantas Group. Virgin Australia's operations using Australia-based flight and cabin crew would strengthen industry capability and support jobs in Australia. Additional Virgin Australia services in all markets, together with the proposed new Perth–Denpasar services, would add consumer choice and further support tourism and trade.

Virgin Australia remains reasonably capable of obtaining the necessary licences, permits and other approvals and of utilising the capacity sought within the proposed timeframe, consistent with section 8 of the Policy Statement.

We would be pleased to provide the Commission with any further information it may require.

Yours sincerely,



Henry Coles
Head of Airline Partnerships and International Relations

ATTACHMENT 1

SUPPLEMENTARY SUBMISSION SUPPORTING VIRGIN AUSTRALIA'S APPLICATION FOR CAPACITY ON THE INDONESIA ROUTE

1. PROPOSAL

Virgin Australia International Airlines Pty Ltd (Virgin Australia) has applied for an allocation of 5,086 additional seats per week in each direction on the Indonesia route for a five-year term.

Virgin Australia proposes 28 additional weekly services across Brisbane, Melbourne, Perth and Sydney, including up to 17 weekly Perth–Denpasar services. The proposed frequencies comprise 17 new Perth–Denpasar, four additional Sydney–Denpasar, four additional Melbourne–Denpasar and three additional Brisbane–Denpasar services per week in each direction. The services would be introduced in stages, with full utilisation proposed by 16 September 2027. The 5,086 seats sought, together with 10 seats available under Virgin Australia's existing allocation, would support the proposed operating requirement of 5,096 seats per week in each direction at full implementation. The details of Virgin Australia's application are provided in Attachment 2.

Virgin Australia submits that its proposal provides the strongest case for the advancement of the object of the *International Air Services Commission Act 1992* (Cth) and provides the stronger comparative case under the relevant criteria in section 9 of the International Air Services Commission Policy Statement 2018. On this basis, Virgin Australia asks the Commission to consider allocating the full request of 5,086 seats per week in each direction to Virgin Australia for a period of five years.

The Virgin Australia proposal would improve competition on constrained Australia–Indonesia capacity where more than 80% of the historical 25,000-seat pool is allocated to the Qantas Group. The 11 proposed frequencies to Sydney, Melbourne and Brisbane are important to the comparative assessment because Virgin Australia operates at a significantly smaller scale than the Qantas Group at these gateways. Virgin Australia's additional services would strengthen competition between Australian airline groups and expand consumer choice across these gateways. Alongside these services, the 17 proposed Perth–Denpasar frequencies would introduce an Australian-carrier alternative in that market, further supporting consumer choice.

Employment growth is an important public benefit. Virgin Australia's proposal will support significantly more job growth in Australia than the Qantas Group's proposal, as Virgin Australia's operations exclusively use Australia-based flight and cabin crew.

2. THE OBJECT OF THE INTERNATIONAL AIR SERVICES COMMISSION ACT 1992

The Commission has invited Virgin Australia to explain how its proposal would advance the Act's object of enhancing the welfare of Australians through economic efficiency and competition in international air services. Virgin Australia submits that its proposal would more effectively advance these outcomes, and would:

i. Provide the strongest improvements to competition for Australian consumers.

   Allocating capacity to Virgin Australia would improve the competitive balance on the Indonesia route (where more than 80% of the historical 25,000-seat constrained pool was allocated to the Qantas Group), providing the strongest case for supporting the Act's object of "increased responsiveness by airlines to the needs of consumers, including an increased range of choice and benefits".

ii. Provide the strongest improvement to building Australian carrier capability.

Virgin Australia proposes to operate the services using its own aircraft and Australia-based flight and cabin crew.

iii. Provide the strongest support of Australian tourism and trade.

The Virgin Australia proposal involves introducing new services on the Perth – Denpasar market, together with growth on existing Denpasar services which will provide the greatest benefits given existing competitive dynamics.

3. SECTION 9 OF THE INTERNATIONAL AIR SERVICES COMMISSION POLICY STATEMENT 2018

The Commission has also invited Virgin Australia to address the additional criteria outlined in the International Air Services Commission Policy Statement 2018 (Policy Statement).

The Virgin Australia proposal provides the strongest comparative benefits when assessed against these criteria.

Specifically, the Virgin Australia proposal:

i. Provides stronger comparative benefits associated with the 9(a) criterion of "fostering an environment in which Australian carriers can effectively compete with each other and with foreign carriers". It does this by increasing Virgin Australia's competitive scale and through employing Australia-based cabin crew and flight crew.

ii. Provides stronger comparative benefits associated with the 9(b) criterion of supporting competition by addressing "distribution of capacity among Australian carriers" through improved competitive balance, given that more than 80% of the historical 25,000-seat constrained pool is allocated to the Qantas Group.

iii. Provides stronger comparative benefits associated with the 9(c) criterion regarding the likely impact on consumers including "costs of airfares, customer choice, product differentiation, stimulation of innovation by incumbent carriers" through the improved competitive balance, a greater range of product and fare types, and the introduction of Perth – Denpasar services.

iv. Meets the 9(d) own-aircraft criterion and also involves the stronger comparative position of operations exclusively using Australia-based cabin and flight crews.

v. Is supported by guidance published by the ACCC concerning competition on the Australia-Indonesia route, referenced in the 9(f) criterion.

vi. Fully addresses the tourism and trade criteria outlined in 9(h) and 9(i), and provides stronger comparative benefits under these criteria given the core position of Indonesia in Virgin Australia's international strategy and the arrangements Virgin Australia has with partner airlines.

4. EVIDENCE SUPPORTING VIRGIN AUSTRALIA'S POSITION

4.1 Distribution of constrained capacity

The need to foster strong competition between carriers is reflected in the Act's object of improving the "responsiveness by airlines to the needs of consumers, including an increased range of choice and benefits" and also the criteria in section 9 of the Policy Statement regarding likely impacts on consumers including on "costs of airfares, customer choice, product differentiation, stimulation of innovation by incumbent carriers, and frequency of service". Put simply, when one commercial player has a large share of constrained capacity, there is less incentive to improve the competitiveness of airfares and less incentive to meet the needs of consumers.

The figures used in Virgin Australia's application identify a 25,000-seat historical constrained pool, of which the Qantas Group holds 20,076 seats (approximately 80%) and Virgin Australia holds 4,924 seats (approximately 20%). These figures describe the historical allocation before the latest bilateral expansion and exclude the separate Enhanced Regional Package (ERP) allocation that will be discussed in section 6.

The following scenarios illustrate the effect of allocating each applicant's full request against that historical baseline. They do not include any capacity that remains unallocated or the separate ERP allocation. If the ERP allocation were included, the share of capacity allocated to the Qantas Group would be even higher.

Illustrative scenario	Qantas Group share	Virgin Australia share	Basis
Historical allocation	80%	20%	20,076 / 4,924 seats
Virgin Australia receives 5,086 seats	67%	33%	20,076 / 10,010 seats
Qantas Group receives 4,539 seats	83%	17%	24,615 / 4,924 seats

4.2 Support from the ACCC

Section 9(f) of the Policy Statement refers to "any determinations, decisions or notifications made by the ACCC, in relation to an Australian carrier using capacity in all or part of the route".

In January 2024, while commenting on the competing applications for additional capacity on the Indonesia route, including capacity available under the ERP, the ACCC provided observations on the competition criteria in section 9 of the Policy Statement. Based on information provided by the applicants, and without conducting further investigations, the ACCC considered that Virgin Australia's proposal appeared more conducive to competition and a broader distribution of capacity than Qantas's proposal. It noted that, in the year ending September 2023, the Qantas Group operated 54.8% of seats on the route, compared with 14.7% for Virgin Australia. The ACCC observed that allocating additional capacity to Jetstar would increase concentration among Australian providers.

Virgin Australia notes that the ACCC's observations concerned the 2024 applications and historical market data. They were made in the context of that assessment and do not constitute an assessment of the present applications. Nevertheless, the competition principle identified by

the ACCC remains relevant to the Commission's assessment of the distribution of constrained capacity.

4.3 Consumer choice and benefits

Virgin Australia's proposal would increase the range of products and services available to Australian consumers and provide larger benefits to consumers through improved competition. Section 9(c) of the Policy Statement refers to the impact on consumers including cost of airfares, customer choice, product differentiation, and stimulation of innovation.

i. Airfares and competitive effects

Additional capacity operated by an independent Australian carrier, together with a wider range of products for consumers will increase the competitive pressure on price and service for all competitors in the market. The Commission should assess that effect alongside the existing distribution of capacity and the scale of each applicant's proposal.

ii. Schedule, frequency and domestic connectivity

At full implementation, Virgin Australia proposes 17 weekly Perth–Denpasar services, four weekly Sydney–Denpasar services, four weekly Melbourne–Denpasar services and three weekly Brisbane–Denpasar services. This would add 28 weekly services across four Australian capital cities, introduced in stages. Together with Virgin Australia's existing allocation, the additional capacity would support the proposed schedules at full implementation.

The additional services proposed for Brisbane, Melbourne and Sydney are an important component of Virgin Australia's proposal, allowing Virgin Australia to better match schedule options currently available from the Qantas Group given their significantly larger share of constrained capacity. Schedule spread is an important driver of consumer choice and benefit.

Brisbane

The proposed Brisbane schedules add departure options and create connection opportunities to and from regional Queensland, including Mackay, Cairns, Gladstone and Townsville, subject to the applicable connection times.

Italics indicate new proposed service

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 45	1234567	BNE	0930	DPS	1405
VA 51	*…45.7*	*BNE*	*1900*	*DPS*	*2335*
VA 52	*1...56.*	*DPS*	*0055*	*BNE*	*0845*
VA 50	1234567	DPS	1515	BNE	2305

Sydney

The proposed Sydney schedules add a daytime option in each direction on selected days, complementing the existing service pattern and creating additional domestic connection opportunities, subject to the applicable connection times.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 61	*.23..67*	*SYD*	*0640*	*DPS*	*1125*
VA 65	1234567	SYD	1745	DPS	2230
VA 68	1234567	DPS	2335	SYD	0735

VA 62	*.23..67*	*DPS*	*1230*	*SYD*	*2030*

Melbourne

The proposed Melbourne schedules add options at different times of day and create additional connection opportunities to and from Tasmania, including Hobart and Launceston, subject to the applicable connection times.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 95	12345.7	MEL	1735	DPS	2200
VA 95	*…..6.*	*MEL*	*1735*	*DPS*	*2200*
VA 97	*.2…67*	*MEL*	*0620*	*DPS*	*1045*
VA 91	1234567	MEL	1020	DPS	1445
VA 96	12345.7	DPS	2305	MEL	0640
VA 96	*…..6.*	*DPS*	*2305*	*MEL*	*0640*
VA 98	*.2…67*	*DPS*	*1210*	*MEL*	*1945*
VA 92	1234567	DPS	1550	MEL	2325

Perth

The proposed Perth–Denpasar services would add a Virgin Australia-operated international route from Perth and create connection opportunities across Virgin Australia's Western Australian network, including Broome, Kalgoorlie, Karratha, Kununurra, Newman and Port Hedland, subject to the applicable connection times.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 151	1234567	PER	0735	DPS	1130
VA 152	1234567	DPS	1245	PER	1635
VA 153	…..67	PER	1105	DPS	1500
VA 154	…..67	DPS	1615	PER	2005
VA 155	…..6.	PER	1405	DPS	1800
VA 156	…..6.	DPS	1915	PER	2305
VA 157	1234567	PER	1645	DPS	2040
VA 158	1234567	DPS	2155	PER	0145

iii. Product differentiation

Improving Virgin Australia's share of constrained capacity on the Indonesia route directly improves the choices available to Australian consumers and the product differentiation available in the market.

Virgin Australia would offer a distinct Australian hybrid product on the proposed services, including Business Class and Economy Class. Business Class would provide a differentiated option for travellers seeking a premium cabin, all-inclusive food and beverage offering and complimentary Wi-Fi. In Economy Class, all guests enjoy complimentary tea, coffee and water together with complimentary inflight entertainment. Economy X offers additional legroom and other benefits for an additional fee. Additional food and beverage options (and Wi-Fi, where this is not already included) are available for purchase. All Virgin Australia fares include checked baggage except for Economy Lite. The exact fare inclusions and onboard products are subject to Virgin Australia's published fare conditions at the time of travel.

iv. Velocity Frequent Flyer benefits differentiation

Velocity Frequent Flyer members would be able to earn and redeem points on eligible Virgin Australia services, subject to the program's terms and conditions. Eligible members may also receive applicable status benefits.

The Velocity Frequent Flyer proposition provides an additional point of product differentiation and consumer choice. Members earn Status Credits based on eligible fare spend, with one Status Credit earned for every $12 spent on Choice, Flex and Business Class fares, and one Status Credit for every $24 spent on Lite fares.

The difference between the Velocity Frequent Flyer proposition and Qantas Frequent Flyer can be illustrated using a Sydney–Denpasar journey. On a $440 Choice fare, a Velocity member would earn approximately 37 Status Credits, compared with 30 Status Credits earned by a Qantas Frequent Flyer member on a comparable Discount Economy fare on the same route, using information available on qantas.com.

Velocity also provides a different pathway to attaining frequent flyer status. Velocity Gold requires 500 Status Credits, with at least 50 per cent earned by the member on eligible Virgin Australia marketed and/or operated flights. Based on the Sydney–Denpasar example above, a member travelling exclusively on this route could achieve Velocity Gold after approximately seven return journeys. By comparison, Qantas Gold requires 700 Status Credits, equivalent to approximately 12 return journeys based on the 30 Status Credits earned per sector in the example above.

This demonstrates a tangible point of differentiation between the Australian carriers and how Virgin Australia's proposed additional services would expand consumer choice not only through fares, frequencies and schedules, but also through the loyalty proposition and benefits available to consumers.

v. Improving the competitiveness of the Velocity Frequent Flyer program provides broader benefits for Australian consumers

A stronger Virgin Australia presence on the Indonesia route would also increase competition between Velocity Frequent Flyer and Qantas Frequent Flyer, giving Australian consumers a greater choice between loyalty programs, with benefits extending beyond just the Indonesia route.

Frequent Flyer programs are an important differentiator in the Australian market broadly, and one of the key drivers of program value is the breadth of opportunities to earn and redeem points. Denpasar is a particularly important market for redemptions given its popularity as a holiday destination and the comparatively lower number of points that are required to obtain redemptions compared to long-haul destinations. A stronger Virgin Australia presence on the Indonesia route will support the ability of Velocity Frequent Flyer to compete with Qantas Frequent Flyer. This creates additional competition for the dominant Qantas Group across all markets, further benefitting Australian consumers when they are travelling domestically and internationally.

4.4 Own-aircraft operations and use of Australia-based cabin and flight crews

Virgin Australia's current Boeing 737 fleet comprises 108 aircraft: 26 Boeing 737-8s, 73 Boeing 737-800s and nine Boeing 737-700s. A further 12 Boeing 737 MAX aircraft are on firm order for delivery over the next three years, through to the end of 2029. Virgin Australia also holds 15 Boeing 737 MAX options.

Virgin Australia proposes to operate the Indonesia services exclusively using its Boeing 737 aircraft and Australia-based flight and cabin crew.

This provides the strongest benefits in support of the Act's object of enhancing the welfare of Australians and in the maintenance of Australian carriers capable of competing effectively with airlines of foreign countries. This also directly supports the Policy Statement's criterion in paragraph 9(a) of "fostering an environment in which Australian carriers can effectively compete with each other and with foreign carriers".

To support the growth required to utilise the full allocation of capacity that Virgin Australia has sought, Virgin Australia estimates the creation of over 100 new highly skilled Australian based flight crew and cabin crew roles.

In addition to supporting jobs for Australia-based cabin and flight crew, the Virgin Australia proposal also supports wider economic benefits through skilled roles in:

- airport and ground-handling operations;
- engineering and maintenance;
- flight operations, operational planning and scheduling;
- customer service and airport support functions; and
- associated commercial, distribution and corporate activities.

4.5 New services for Perth–Denpasar

Virgin Australia proposes to commence Perth–Denpasar services from 21 June 2027, building to up to 17 weekly services at full implementation.

Perth – Denpasar is the largest international origin-destination market from Perth[1] and is served by two Indonesian carriers together with the Qantas Group's Jetstar brand. The Virgin Australia proposal would provide consumers in Western Australia with an additional Australian carrier choice, and benefits including:

- access to new product offerings;
- broader frequency and schedule alternatives;
- increased competitive pressure across airfares and service;
- access to the Velocity Frequent Flyer proposition; and
- connectivity through Virgin Australia's broader domestic network, including to regional Western Australian destinations

If Virgin Australia is allocated the capacity to operate the proposed Perth–Denpasar schedule, it would still account for just 16% of total capacity on Perth–Denpasar services, and 44% of capacity operated by Australian carriers, falling to just 40% if the EPR allocation used by the Qantas Group is also taken into account. Virgin Australia's proposal would therefore introduce greater competition into the market, delivering benefits for consumers.

As services approach commencement, Virgin Australia expects to support the route with targeted digital and direct sales activity, launch offers and promotion through its distribution and airline-partner channels. Virgin Australia will also engage with relevant tourism bodies on opportunities to promote travel in both directions.

[1] IATA Direct Data Solutions. Based on last 12 months of passenger volumes from industry ticket sales.

4.6 Additional services for Brisbane, Melbourne and Sydney

Improving competitive balance has a significant impact on costs of airfares, customer choice, product differentiation, and innovation for all carriers in the market. Virgin Australia already serves Denpasar from Brisbane, Melbourne and Sydney. The additional services proposed on these markets are an important component of Virgin Australia's proposal and an important driver of benefits.

Assessing the capacity share of Virgin Australia and the Qantas Group (shown as QFG in the table below) on the Indonesia route from Australian gateways, it is clear that Virgin Australia's proposed additional services on Brisbane, Melbourne and Sydney would improve the competitive balance at these gateways. Allocating the capacity to the Qantas Group would further entrench their dominant position

Capacity share of Australian airlines on Indonesia route by gateway[2]

	Current state		**Future state** **Qantas Group proposal**		**Future state** **Virgin Australia proposal**	
	VA	**QFG**	**VA**	**QFG**	**VA**	**QFG**
Brisbane	33%	67%	26%	74%	42%	58%
Melbourne	23%	77%	21%	79%	28%	72%
Perth	0%	100%	0%	100%	40%	60%
Sydney	15%	85%	13%	87%	22%	78%
Total	**18%**	**82%**	**15%**	**85%**	**31%**	**69%**

The additional capacity sought by Virgin Australia will also allow Virgin Australia to offer a more competitive schedule proposition on these markets that better meets the needs of consumers and better competes with the Qantas Group.

4.7 Tourism, trade and market development

Paragraphs 9(h) and 9(i) of the Policy Statement address tourism, trade and connectivity. Virgin Australia's proposal supports these criteria through additional direct capacity, an Australian carrier presence in Perth–Denpasar and the ability to connect eligible international itineraries through Virgin Australia's airline partnerships.

i. Indonesia's importance to Virgin Australia's international network supports sustained market development

Virgin Australia has taken a disciplined approach to its own-operated international network, concentrating aircraft and resources in markets where it sees sustainable opportunities to compete and grow. Indonesia is one of those markets.

Virgin Australia's commitment is demonstrated by the continued development of its Denpasar network, including the commencement of Canberra–Denpasar services in June 2026. The proposed new services would build on that presence through staged growth from Melbourne, Sydney, Perth and Brisbane.

[2] Uses 'peak week' capacity, including services operating under Enhanced Regional Package allocation. Melbourne includes Melbourne Airport and Avalon Airport. Sydney includes Sydney Airport and Western Sydney Airport.

To support the proposed Indonesia capacity, Virgin Australia intends to use its sales and digital channels, launch activity and partner distribution, and to engage with relevant tourism stakeholders on market promotion as services approach commencement.

ii. Virgin Australia's airline partnerships further support inbound tourism and trade

Virgin Australia operates its own services in selected short-haul international markets and partners with international airlines to extend customer access to long-haul destinations.

Because of this model, Virgin Australia is able to work with international partners to sell itineraries from key global points of sale involving its short-haul network. For example, Virgin Australia partner Qatar Airways sells onto Virgin Australia's existing Indonesian services from all global points of sale, and allows guests from Europe, the Middle East and Africa arriving into Denpasar to stop over before continuing on to Australia on Virgin Australia services.

Virgin Australia's partnerships with the frequent flyer programs of partner airlines also support international inbound visitors to Australia using Virgin Australia services to Indonesia, and broader benefits for Australian consumers using these services when travelling beyond Indonesia. Partner airline frequent flyer members from global markets are able to earn and redeem points and miles when travelling from their home country to Indonesia, and then when travelling from Indonesia into Australia on Virgin Australia. Velocity Frequent Flyer members can similarly earn and redeem points when travelling to Indonesia on Virgin Australia, and then when travelling onwards from Indonesia on partner airlines.

This provides a wider reach to international markets for capacity on the Indonesia route that is allocated to Virgin Australia and better supports inbound tourism and trade.

5. COMPARATIVE ASSESSMENT OF COMPETING APPLICATION

5.1 Comparative effect on competition and capacity distribution

The Qantas Group already holds greater than 80% of the historical constrained pool on the Indonesia route. If the Qantas Group is granted the allocation they have sought, this would increase to 83%. Due to the scale of their existing allocations (together with changes in the bilateral arrangement which now remove all constraints for growth from their established Avalon base) the Qantas Group has flexibility that would allow them to launch new services. Virgin Australia does not have this flexibility to launch new services at the required scale without access to new capacity.

Any increase in capacity in a constrained market brings public benefits. Virgin Australia submits that the decision on the allocation of capacity should not rest solely on the introduction of new services for Perth, Western Sydney or to Jakarta. In a capacity-constrained market, the Commission's assessment should first address the structural effect of the competing allocations on effective competition across the route. Route-specific benefits remain important, but they should not be assessed independently of the existing concentration of capacity or the enduring competitive consequences of further concentration. Otherwise, the incumbent's existing scale will itself become the reason for successive additional allocations, entrenching the very imbalance criterion 9(b) requires the Commission to consider. This is particularly important because the statutory presumption governing renewals means that an allocation made now may be difficult to redistribute later, even where market concentration persists.

The existing distribution of constrained capacity materially affects each carrier group's flexibility to introduce additional frequencies and develop new markets. Virgin Australia's low share of

constrained capacity makes new services challenging. By contrast, the Qantas Group enters this process as the substantial majority holder of constrained Indonesia capacity and because of its dominant share of the capacity has greater flexibility to adjust frequencies and deploy capacity to serve new markets.

Virgin Australia submits that a decision to allocate any further capacity to the Qantas group would entrench this imbalance, further constrain the growth of Virgin Australia's international operations, and not provide the strongest support of the Act's object of improving the "responsiveness by airlines to the needs of consumers, including an increased range of choice and benefits".

It would also not provide the strongest benefit case when assessed against the criteria in section 9 of the Policy Statement around impacts on consumers including on "costs of airfares, customer choice, product differentiation, stimulation of innovation by incumbent carriers, and frequency of service".

5.2 Benefits associated with specific route proposals

Virgin Australia recognises that elements of the Qantas Group's application may be considered as providing incremental public benefits. However, the Commission should consider the aggregate outcome of each proposal, and whether the claimed benefit of the Qantas Group's application can already be achieved using existing capacity.

The comparative assessment should also recognise that Qantas and Jetstar form part of the same airline group and should therefore be considered together when assessing the distribution of constrained capacity and its effect on competition.

5.3 Changed treatment of Avalon

Virgin Australia notes that the amended Australia–Indonesia bilateral arrangements change the treatment of Avalon Airport. Under the previous arrangements, Avalon was included with Melbourne for the purposes of the capacity limits applying to the major Australian gateways, while under the revised arrangements, Avalon Airport is now unrestricted. This change is relevant to the present competitive assessment in that it creates a structural advantage for the Qantas Group:

a. existing Avalon–Denpasar operation can continue, and potentially grow, using unrestricted bilateral capacity; and

b. capacity previously required for those services within the constrained framework may potentially provide additional flexibility for use at the constrained gateways, subject to the applicable regulatory requirements.

These benefits to the Qantas Group arise in addition to 4,539 additional seats per week sought by the Qantas Group in the present competitive process.

The Qantas Group operates five weekly Jetstar services between Avalon and Denpasar, representing approximately 1,160 seats per week based on 232 seats per service. As Avalon is now outside the constrained bilateral capacity pool, the changed treatment may give the Qantas Group flexibility to redeploy capacity previously associated with those services to support its proposed operations from constrained gateways, including Perth–Jakarta, Western Sydney–Denpasar, Brisbane–Denpasar or Melbourne–Jakarta. Any such redeployment would be subject to aircraft availability, applicable allocations and regulatory requirements, but would be separate from the 4,539 additional seats per week sought in this process.

6. VIRGIN AUSTRALIA POSITION ON THE EXISTING ALLOCATION MADE UNDER THE ENHANCED REGIONAL PACKAGE

While it does not directly impact this application, Virgin Australia notes the change in the bilateral arrangement with Indonesia that removed the separate Enhanced Regional Package capacity that had been allocated to the Qantas Group. This change impacts the competitive dynamic of the Indonesia route.

In addition to its majority share of historic gateway capacity, the Qantas Group holds a separate allocation of 2,320 seats per week under Determination [2024] IASC 113. This capacity was available under a provision in the previous bilateral arrangement for services operating via or beyond major gateways and was known as the Enhanced Regional Package (ERP).

That determination arose from a competitive process in which both Qantas and Virgin Australia applied for capacity. The Qantas Group applied for 2,320 seats per week, proposing to operate additional services on Cairns–Melbourne–Denpasar and Adelaide–Perth–Denpasar routings, with the domestic legs operating between international terminals.

Virgin Australia proposed services on an Adelaide-Perth-Denpasar routing, but with the domestic leg operating between domestic terminals and with passengers and baggage clearing international formalities at Perth before travelling on the Perth–Denpasar sector.

In its decision, the Commission considered advice from the then Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department). The Department advised that Virgin Australia's proposed domestic-leg operating model would not satisfy the requirements of the bilateral arrangement. Virgin Australia took the decision that operating via/beyond domestic services between international terminals would introduce too much complexity and customer confusion. Consequently, the Commission concluded that Virgin Australia did not fully meet the reasonable capability criterion under section 8 of the Policy Statement for the proposed services.

As the separate ERP provision has now been removed from the bilateral arrangement, the capacity that was previously available only with a domestic via/beyond leg is now available to Australian airlines without restriction.

Virgin Australia's strong position is that with the change in bilateral arrangements, this capacity should be made available for re-allocation to all Australian airlines and subject to a full benefits assessment. Leaving the existing allocation in place introduces cost and complexity that is ultimately passed on to consumers. This treatment is not in the interests of the Australian public.

As the Act does not specifically define what action the Commission should take in circumstances where the bilateral arrangements change and make conditions of existing allocations redundant, Virgin Australia would expect the Commission to take the course of action that best serves the object of the Act, and to invite a competitive and transparent process for the reallocation of these rights following the change in the bilateral arrangement.

If, however, the Commission determines that the existing allocation should remain in place, Virgin Australia would at least expect that if the Qantas Group sought to vary this allocation (for example, by removing the domestic via/beyond flight), that such a variation would trigger this re-allocation and a full assessment of comparative public benefits.

Virgin Australia notes that even if Virgin Australia was granted the capacity, it is currently seeking, *and* if the ERP capacity was to be made available and was allocated to Virgin

Australia, that Virgin Australia's share of all constrained capacity would still only be 38% compared to the Qantas Group's 62%.

If the Qantas Group can access this capacity allocation based on a "grandfathered" allocation, but without the operational restriction which led Virgin Australia to not pursue an allocation, this significantly disadvantages Virgin Australia and negatively impacts competition on the Indonesia route. This would further cement the Qantas Group's dominant position in the market to the detriment of Australian consumers. The Qantas Group currently holds over 80% of constrained capacity. If the capacity they are currently seeking is allocated to them, they will hold 83% of constrained capacity. If the existing ERP allocation also remains with the Qantas Group, their total share of constrained capacity will be 85%.

While an application to vary IASC 113 has not been made by the Qantas Group at the time of writing, Virgin Australia would like to raise this issue for the consideration of the Commission, given the impact on competitive dynamics.

7. CONCLUSION

Virgin Australia submits that its proposal provides the strongest advancement of the object of the *International Air Services Commission Act 1992* and provides the stronger comparative case under the relevant criteria in section 9 of the International Air Services Commission Policy Statement 2018.

Allocating the available capacity to Virgin Australia would materially improve the distribution of constrained capacity between Australian airline groups, strengthen competition and consumer choice across multiple Australian gateways, support Australian aviation employment, and facilitate Virgin Australia's entry on Perth–Denpasar.

Virgin Australia asks the Commission to consider allocating the full request of 5,086 seats per week in each direction to Virgin Australia on this basis for a period of five years.

ATTACHMENT 2

PROPOSED OPERATING SCHEDULES

From 13 December 2026, Virgin Australia plans to increase frequency between Melbourne and Denpasar using the B737-MAX8 aircraft configured with 182 seats.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 95	…..6.	MEL	**1735**	**DPS**	2200
VA 96	…..6.	DPS	**2305**	**MEL**	0640
VA 97	.2…67	MEL	**0620**	**DPS**	1045
VA 98	.2…67	DPS	**1210**	**MEL**	1945

From 23 March 2027, Virgin Australia plans to increase frequency between Sydney and Denpasar using the B737-MAX8 aircraft configured with 182 seats.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 61	.23..67	SYD	0640	DPS	1125
VA 62	.23..67	DPS	1230	SYD	2030

From 21 June 2027, Virgin Australia plans to operate Perth-Denpasar services using the B737-MAX8 aircraft configured with 182 seats.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 151	1234567	PER	0735	DPS	1130
VA 152	1234567	DPS	1245	PER	1635
VA 153	…..67	PER	1105	DPS	1500
VA 154	…..67	DPS	1615	PER	2005
VA 155	…..6.	PER	1405	DPS	1800
VA 156	…..6.	DPS	1915	PER	2305
VA 157	1234567	PER	1645	DPS	2040
VA 158	1234567	DPS	2155	PER	0145

From 16 September 2027, Virgin Australia plans to increase frequency between Brisbane and Denpasar using the B737-MAX8 aircraft configured with 182 seats. The updated Brisbane–Denpasar schedule below corrects a transposition error in the specified operating days that was made in Virgin Australia's original application. All other schedule details remain unchanged.

Flt No.	Day of Ops	Dep Port	Dep Time	Arr Port	Arr Time
VA 51	…45.7	BNE	1900	DPS	2335
VA 52	1...56.	DPS	0055	BNE	0845