ACCC
AUSTRALIAN COMPETITION
& CONSUMER COMMISSION

Domestic airline competition in Australia

May 2025

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
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601

ACCC 05/25_25–34

www.accc.gov.au

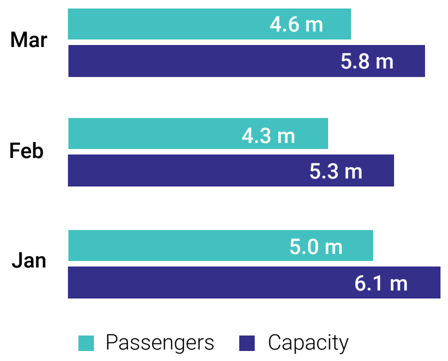
Contents

Glossary

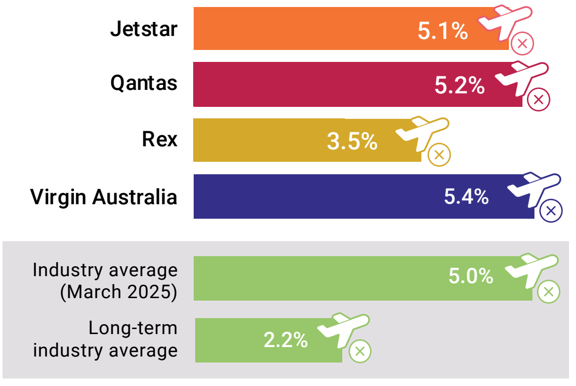
ABS	Australian Bureau of Statistics
BITRE	Bureau of Infrastructure and Transport Research Economics
CCA	*Competition and Consumer Act 2010* (Cth)
Load factor	The total number of passengers as a proportion of the total number of seats flown.
Low-cost carrier (LCC)	Airlines that specialise in keeping operating 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 list of routes by route type.
Qantas	Qantas domestic passenger airlines that include Qantas Domestic and QantasLink airlines.
Qantas Group	Qantas domestic passenger airlines that include Qantas Domestic, Qantas Link 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 list of routes by route type.
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 list of routes by route type.
Return on Invested Capital (ROIC)	Measure of a company's profitability relative to the amount of capital invested in its business.
Virgin Australia	Virgin Australia domestic passenger airlines that included Virgin Australia and Virgin Australia Regional Airlines (VARA). Virgin Australia also operated Tigerair until March 2020.

Key results

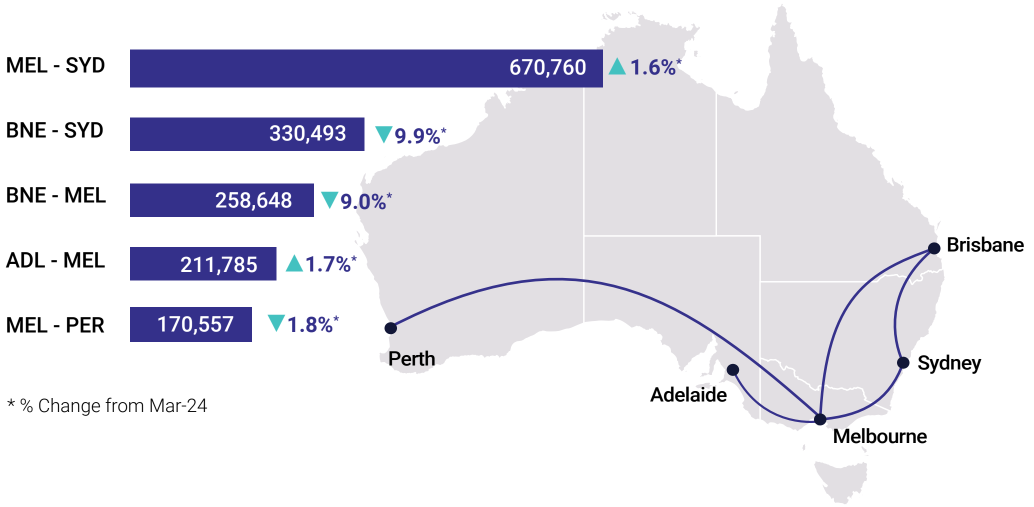
Passenger levels and seat capacity – January to March 2025



Flights cancelled – March 2025

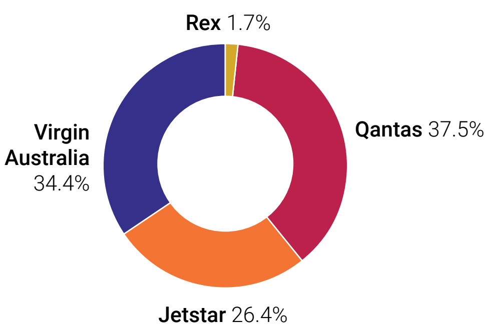


Busiest domestic routes by passenger levels – March 2025



* % Change from Mar-24

Passenger market share as at March 2025



Change in real average revenue per passenger index by route type– March 2024 to March 2025*

*index (Mar-19 = 100)

Key industry insights and developments

Qantas Group and Virgin Australia record strong mid-year financial results

Both Qantas Group and Virgin Australia recorded substantial profits in the first half of 2024–25. Qantas Group reported an underlying EBIT of $916 million for its domestic operations and an underlying EBIT of $1.5 billion for its whole operations. Virgin Australia said it had achieved record profits. The results reflected strong demand and minimal domestic competition, with Bonza going into liquidation and Rex going into administration and withdrawing from Major City routes.

Record passenger volumes were expected in April following weather disruptions in March

Airlines and airports were expecting a significant increase in travellers in April with school holidays, Easter and ANZAC day all condensed into a 3-week period. This follows travel disruptions affecting airports in Queensland and northern New South Wales in March due to severe weather events associated with Ex-Tropical Cyclone Alfred.

On-time arrivals have improved despite weather disruptions

Industry on-time performance (arrivals) has improved over the past few months, from 74.5% in October 2024 to 80.2% in March 2025. Meanwhile the average industry flight cancellation rate increased significantly to 5.0% in March 2025 due to the severe weather events, compared to the long-term average of 2.2%.

Changes to average airfares reflect seasonal trends in the first quarter of 2025

Following a peak in October 2024, the average real revenue per passenger index fell by 16.1% in the 3 months to January 2025, before increasing again by 9.6% by March 2025. The trends observed since January reflect seasonal factors and are consistent with those observed in previous years.

Rex reduces capacity on its regional services

No buyer has emerged for Rex and administrators have until the end of June to find one. In the event there is no sale, the government announced it would work on contingency options in consultation with relevant states including preparations necessary for potential Australian Government acquisition of Rex.

Since entering administration in July 2024, Rex has decreased capacity for its Regional and Remote routes, and by 9.3% and 6.8% respectively between March 2024 and March 2025.

Executive Summary

Half-year financial results show that both the Qantas Group and Virgin Australia are benefiting from strong demand for flying and minimal competition in the domestic airline sector.

Qantas Group reported earnings before interest and taxes of $916 million for its domestic operations and $1.5 billion for its whole operations for the first half of 2024–25. Qantas Domestic and Jetstar Domestic contributed $647 million and $269 million respectively. Qantas Domestic's strong financial performance can be attributed in part to the carrier's dominance in the business-purpose travel segment, which experienced a resurgence in demand in the first half of 2024–25. Qantas Domestic said that it made up approximately 80% of total corporate segment traffic and 54% of total small and medium-sized enterprise segment traffic in the first half of 2024–25.

Whilst Virgin Australia does not publish its half-year financial results, in February 2025 the then-CEO Jayne Hrdlicka announced that the airline group had achieved record profits in the first half of 2024–25. The airline group's finances have strengthened significantly following a post-administration restructure under Bain Capital, which included retiring Tigerair, reducing the number of aircraft types, and scaling back its international flying.

It has been reported that Virgin Australia is preparing for a possible initial public offering potentially as early as June 2025. The airline group is also set to expand its international service offering from June 2025 with the commencement of 28 new weekly return flights between Australia and Doha in partnership with Qatar Airways. This follows the ACCC's authorisation, and the Government's approval of Qatar Airways' 25% stake in the airline group.

Demand and capacity for domestic air travel were lower in the first 3 months of 2025 compared to the year prior. This was in part due to February 2024 being an exceptional month with respect to demand, as major entertainment events such as Taylor Swift concerts took place in Melbourne and Sydney. Travel demand was also more dispersed in 2024, with Easter and school holidays occurring from late March and into April.

In early March 2025, severe weather brought on by Ex-Tropical Cyclone Alfred caused major disruptions for travellers to and from Queensland and northern New South Wales. Qantas, Jetstar, Virgin Australia and Rex cancelled numerous flights amidst storms, flooding and associated airport closures. Passenger numbers, capacity, and service reliability during this period fell as a result. On busy Queensland routes such as Gold Coast – Melbourne, Gold Coast – Sydney, Brisbane – Sydney, and Brisbane – Melbourne, passenger numbers fell by 29.9%, 24.9%, 9.9%, and 9.0% respectively in March 2025 compared to March 2024. The 4 monitored airlines offered to assist customers who were impacted by the weather events, including fee-free date changes and travel credits.

Despite the impact of Ex-Tropical Cyclone Alfred in March 2025, Virgin Australia increased both its passenger levels and seat capacity across Australia compared to March 2024 and was the only major airline to do so.

Since entering administration in late July 2024, Rex has reduced seat capacity on its network, with capacity on Regional and Remote routes falling by 9.3% and 6.8% respectively between March 2024 and 2025. Despite the reduced capacity, it continues to operate the same number of routes since entering administration, but with lower frequency.

While the data was not yet available for this report, overall demand and capacity were expected to rebound in April 2025, with school holidays in most states and territories coinciding with Easter and/or Anzac Day. Sydney, Melbourne and Perth airports were expecting a record number of travellers over this period.

Airline on-time performance has improved over the past few months from 74.5% in October 2024 to 80.2% in March 2025, just below the long-term industry average of 80.7%. The average industry cancellation rate on the other hand worsened to 5.0% in March 2025, due to disruptions caused by Ex-Tropical Cyclone Alfred, compared to the long-term industry average of 2.2%.

The average industry load factor has remained above 80% for the eighth consecutive month to March 2025. Load factors varied by airline, with Jetstar reporting 91.2% of its seats being occupied in January 2025. This is the highest load factor reported by any airline in the dataset available to the ACCC, which goes back to January 2019.

Following a peak in October 2024, the real average revenue per passenger index decreased by 16.1% in the 3 months to January 2025, before increasing by 9.6% again by March 2025. The fluctuations in the quarter to March 2025 reflect seasonal trends and are consistent with those observed in previous years.

A buyer is yet to emerge for regional airline Rex and administrators Ernst and Young have until the end of June 2025 to find one. In the 2025–26 Federal Budget released on 25 March 2025, the government said that it is committed to keeping regional Australia connected through aviation services. Should no buyer emerge, the government said it would work on contingency options in consultation with relevant states, including preparations necessary for potential Australian Government acquisition of Rex.[1]

1 Budget 2025–26, *Budget Paper No.1: Budget Strategy and Outlook*, 25 March 2025, accessed 9 May 2025, p 235.

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.[2]

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 the Qantas Group (including Jetstar), Rex and Virgin Australia to voluntarily provide their monthly and quarterly data to the ACCC.[3] 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.

2 The Hon Dr Jim Chalmers (Treasurer), *ACCC directed to monitor domestic air passenger services* [media release], 18 October 2023, accessed 9 May 2025.

3 Arrangements were also made to collect data from Bonza between February 2023 and March 2024 inclusive.

4 ACCC, ACCC/AER information policy, 4 June 2014.

2. Industry Developments

2.1 Weather disruptions negatively impact travel in early 2025, with a rebound expected in April

Demand for domestic air travel in the first quarter of 2025 was much lower than 12 months prior. However, 2024 was a particularly unusual year by comparison due to significant events that induced unprecedented demand for flights to Melbourne and Sydney, such as the Taylor Swift concerts. The Easter long weekend also fell in March last year which contributed to the increase in demand for travel during this time.

While the data was not yet available for this report, demand was expected to peak in April this year, with Easter, ANZAC day and the school holidays condensed within a 3-week period. Airlines and airports were anticipating record numbers of travellers as a result. Sydney Airport forecasted that 1.5 million domestic passengers would travel through the airport over this period, which is over 3% higher than the holiday period in 2024.[5] Melbourne and Perth airports anticipated similar surges in travel demand.[6] According to Airservices Australia, Good Friday Eve (April 17) was the busiest day for passenger flights in the last 5 years with 2 of Australia's busiest airports exceeding 2019 traffic levels.[7]

Passenger levels were also relatively lower in March 2025 as Ex-Tropical Cyclone Alfred disrupted travel along the east coast. Flights to and from Queensland and northern New South Wales were cancelled from the afternoon of Wednesday 5 March until Sunday 9 March. This includes flights to and from Ballina, Brisbane, Bundaberg, Coffs Harbour, Hervey Bay, Lord Howe Island, Gold Coast and Maroochydore airports.

All 4 airlines offered to assist customers who were impacted by the event to allow them to pro-actively change their travel plans. This included offering customers travel credits and the ability to make fee-free booking changes within a specified time period.[8] Under the Australian Consumer Law's consumer guarantees, service providers including airlines are required to supply their services within a reasonable time. If this consumer guarantee is not met (such as by the airline cancelling a flight), then consumers are entitled to a remedy, which may be a replacement service, credit, or refund, depending on the circumstances.

The impacts of the disruptions are evident in the figures for March 2025, with reduced passenger numbers at all major airports across the east coast compared to 12 months prior. Gold Coast and Maroochydore (Sunshine Coast) airports experienced the biggest drop in passengers over this period by 30.2% (or 148,000 passengers) and 25.1% (or 39,700 passengers) respectively. This compares to a total decrease of 4.9% over the 12-month period across the domestic network.

5 Sydney Airport, *Sydney Airport ready to welcome 2.5 million passengers this Easter* [media release], 8 April 2025, accessed 9 May 2025.

6 Perth Airport, *Easter holiday travel surge* [media release], 14 April 2025, accessed 9 May 2025; Melbourne Airport, *School holiday crowds soar as passengers extend getaways* [media release], 2 April 2025, accessed 9 May 2025.

7 Airservices Australia, Airservices Australia Releases April Australian Aviation Network Overview, 9 May 2025, accessed 12 May 2025.

8 Qantas, *Qantas Group Statement On Tropical Cyclone Alfred* [media release], 9 March 2025, accessed 9 May 2025; Virgin Australia, *Ex-Tropical Cyclone Alfred updates* [media release], 9 March 2025, accessed 9 May 2025; V Lenard, 'What airlines are offering travellers as Tropical Cyclone Alfred sparks cancellations', *SBS News*, 7 March 2025, accessed 9 May 2025.

Seat capacity reduced by 6.6% across the industry in March 2025 compared to 12 months prior. In addition to the timing of the school holidays and Easter, as well as Ex-Tropical Cyclone Alfred, this was driven by the sudden reduction in capacity across the sector following the suspension of Bonza's services in late April and of Rex's services on Major City routes in late July 2024. Furthermore, Qantas and Jetstar reduced seat capacity over this period, by 3.4% and 0.7% respectively, whilst Virgin Australia increased its seat capacity by 2.7%.

Following cessation of its services on Major City routes, Rex has further reduced seat capacity. Capacity on Regional routes has fallen by 9.3% in the year to March 2025, while capacity on Remote routes has fallen by 6.8%. The reduced capacity may be attributed to reduced passenger volumes, lower load factors and personnel shortages. Despite the reduced seat capacity, Rex continues to operate the same number of Regional and Remote routes since August 2024, but with lower frequency on some routes. Meanwhile, Rex's 737 flight simulator centre has been sold to lending firm Navinci.[9] Rex's administrators continue to look for a buyer for its regional passenger operations, with the administration process set to end on 30 June 2025.

For Regional routes, capacity increased by 4.2% for Jetstar in March 2025 from the previous year, and declined for Virgin Australia and Qantas by 1.6% and 0.8% respectively. For Remote routes, capacity in March 2025 increased for both Virgin Australia (11.0%) and Qantas (5.6%) respectively when compared to March 2024. Jetstar's capacity on Remote routes dropped by 8.4% over the same time period.

Additionally, in March 2025, QantasLink announced a temporary reduction in flights between Tamworth and Sydney, cutting 4 return flights per week for a 6-month period. This adjustment would accommodate pilot training for the airline's 14 additional Q400 aircraft. The reduction brought the number of weekly flights down to 22 with QantasLink intending to restore the full 26 weekly flights by October 2025.[10]

While weather disruptions negatively impacted on travel along the east coast, passenger numbers and seat capacity on the west coast remained strong. Over the 12-month period to March 2025, demand for travel to and from Perth increased by 4.6% (32,000 passengers). Seat capacity also increased by 5.5% (50,000 seats) over the same period. This growth continues the increasing trend of travel traffic through Perth Airport and Western Australia.[11]

The industry wide load factor – which represents the proportion of seats that are occupied by passengers – has been above 80% every month since August 2024. This is driven by relatively higher load factors reported by Jetstar and Virgin Australia over the period, which reflect the proportion of Major City routes serviced by both airlines. Generally, low-cost carriers such as Jetstar target higher load factors to maximise profitability and offset lower fares.

Jetstar reported a load factor of 91.2% in January 2025, which is the highest for any airline since January 2019, the earliest month for which the ACCC has data. Jetstar's high load factors may have partly contributed to the airline's worse on-time performance. Meanwhile the load factors for Qantas and Rex were lower than the industry average, which in part reflects the proportion of Regional and Remote routes serviced by both airlines.

Airlines continue to face a range of challenges with the delivery of new fleet and pilot shortages which can impact on airlines' load factors, ability to add capacity to the network, and their overall competitiveness in the sector.

9 J Nelson, 'Rex's 737 simulator snapped up by financier', *Australian Aviation*, 17 March 2025, accessed 9 May 2025.

10 F Ferguson, 'This is why there will be fewer flights to Sydney in the coming months', *The Inverell Times*, 26 March 2025, accessed 9 May 2025.

11 Perth Airport, *Aviation surges as Perth Airport posts record passenger numbers* [media release], 17 January 2025, accessed 9 May 2025.

2.2 Qantas Group reports a highly profitable first half of 2024–25

In February 2025 Qantas Group released its financial results for the first half of 2024–25, reporting underlying earnings before interest and tax (EBIT) of $916 million for its domestic operations and $1.5 billion for its whole operations. For its total operations, this represents an 11.9% increase from the first half of 2023–24 and a 72.8% increase from the first half of 2018–19. These results reflect both continued strong demand for travel, as well as Qantas Group's dominance of the highly concentrated domestic airline sector, where it accounts for over 60% of passengers.[12]

Jetstar Domestic earnings increased by 53.7% between the first half of 2023–24 and 2024–25

Compared to the first half of 2023–24, Jetstar Domestic recorded the highest marginal increase in earnings of all the business segments in the Qantas Group. Jetstar Domestic increased its underlying EBIT by 53.7%, from $175 million in the first half of 2023–24 to $269 million in the first half of 2024–25. Jetstar's total underlying EBIT (including Jetstar International) increased by 35.1% over the same period to reach $439 million.[13]

Jetstar became the sole low-cost carrier in Australia after the exit of Tigerair in 2020, and again when Bonza collapsed in April 2024. Jetstar has been able to capitalise on the continued absence of competitive pressure from another low-cost carrier in the domestic market to increase its domestic operating margin to 18% in the first half of 2024–25. This is roughly 5 percentage points higher than in the first half of 2023–24 (13%). By comparison, Jetstar's operating margin in the more competitive international sector was 15% in the first half of 2024–25. The delivery of new aircraft is likely to have also contributed to an 8% increase in available seat kilometres (ASK's) to Jetstar's domestic network in the first half of 2024–25.[14]

Qantas Domestic capacity growth was subdued relative to demand, while Jetstar Domestic capacity growth accelerated

Qantas Domestic continued to perform strongly, reflecting an uptick in demand from business customers in the latter half of 2024. Qantas Domestic reported an underlying EBIT of $647 million in the first half of 2024–25, compared to an underlying EBIT of $641 million in the first half of 2023–24.[15] Both results are significantly higher than the underlying EBIT of $465 million recorded just prior to the pandemic, in the first half of 2019–20. Qantas Group characterised its operating margins as 'sustainable' rather than temporary.[16]

Figure 1 shows that prior to the pandemic, Qantas demonstrated strong profitability with its domestic business performing particularly well. Operating margins fell significantly during the pandemic (from the second half of 2019–20 to the second half of 2021–22 inclusive) due to decreased passenger demand and higher fixed costs. However, Qantas' profitability has recovered strongly since then.

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12 Qantas Group, FY25 Half Year Results Financial report, 27 February 2025, pp 5, 8, 13, accessed 2 May 2025; Qantas Group, FY19 Half Year Results Financial report, 21 February 2019, pp 7, 9, accessed 2 May 2025.

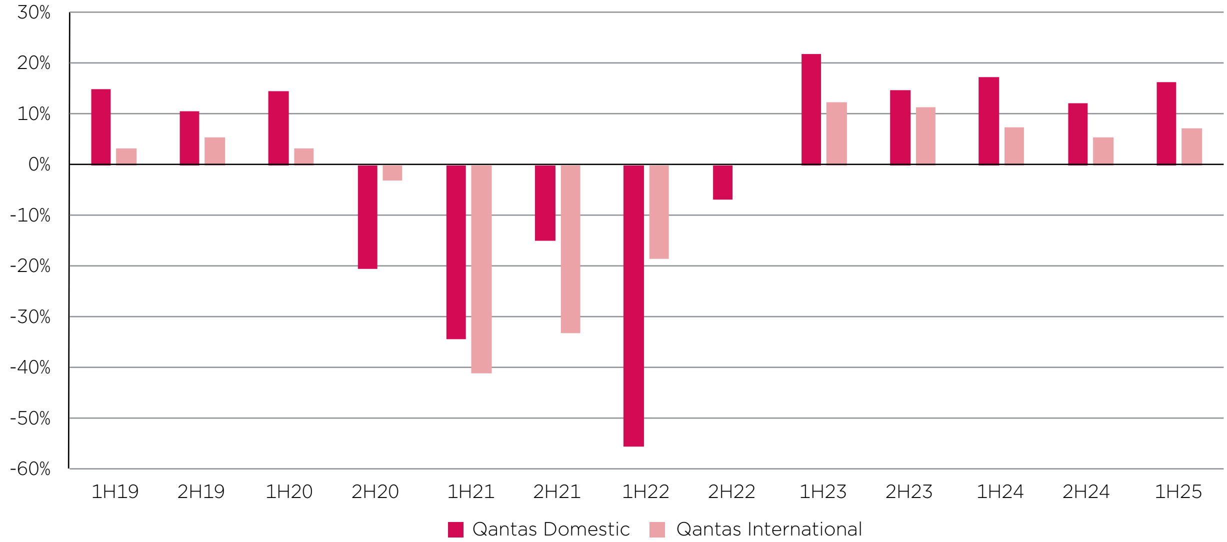
13 Qantas Group, FY25 Half Year Results Financial report, 27 February 2025, pp 11, 13.

14 Qantas Group, FY25 Half Year Results Financial report, 27 February 2025, p 13; Qantas Group, FY25 Half Year Results Presentation, 27 February 2025, p 21, accessed 2 May 2025.

15 Qantas Group, FY25 Half Year Results Financial report, 27 February 2025, p 19, accessed 9 May 2025; Qantas Group, FY24 Half Year Results Financial report, 22 February 2024, p 20, accessed 9 May 2025.

16 Qantas Group, FY25 Half Year Results Financial report, 27 February 2025, pp 11–12, accessed 2 May 2025; Qantas Group, FY20 Half Year Results Financial report, 20 February 2020, p 9, accessed 2 May 2025.

Figure 1: Qantas Domestic and Qantas International operating margins



Source: ACCC calculations based on figures from Qantas Group's financial reports from 2018–19 to 2024–25.
Note: (1) Each bar on the chart is the operating margin for each half year for the period FY19 to FY25 (YTD). (2) Operating margins are calculated by dividing the underlying EBIT by Total Revenue for each business segment. (3) Qantas International includes freight.

Post-pandemic the business recorded higher operating margins across both its domestic and international segments, particularly in the first half of each financial year. Airlines historically make higher returns in the first half of the financial year due to stronger travel demand in the summer months. Qantas Domestic operating margins also returned to the trend of outperforming those of Qantas International.

In the first half of 2024–25 Qantas Domestic recorded an operating margin of 16.1%. This is significantly higher than Qantas' operating margin in the more competitive international sector (7.1%).

Virgin Australia's strategic repositioning to a mid-market service offering in 2020 (see section 2.3) is likely to have helped Qantas capture the majority of business-related travel post-pandemic. In the first half of 2024–25, Qantas said that it had an 80% share of total corporate segment traffic and 54% share of total small and medium-sized enterprise (SME) segment traffic.[17]

Despite observing an increase in demand for domestic travel, the Qantas Group has not increased seat capacity on Qantas Domestic services. Qantas Domestic reduced its available seat kilometres (ASK's) in the first half of 2024–25 by 2.5% compared to the first half of 2023–24.[18] The Group's capacity outlook forecasts a 1% capacity reduction across 2024–25.[19] These results are likely impacted by the ongoing delays in the delivery of new aircraft. However, they also may reflect the relatively weaker commercial incentives for Qantas Domestic to increase capacity for a customer segment that is less sensitive to price, and for which Qantas faces reduced competition. Limiting capacity in this way has likely contributed to higher airfares than would otherwise be the case.

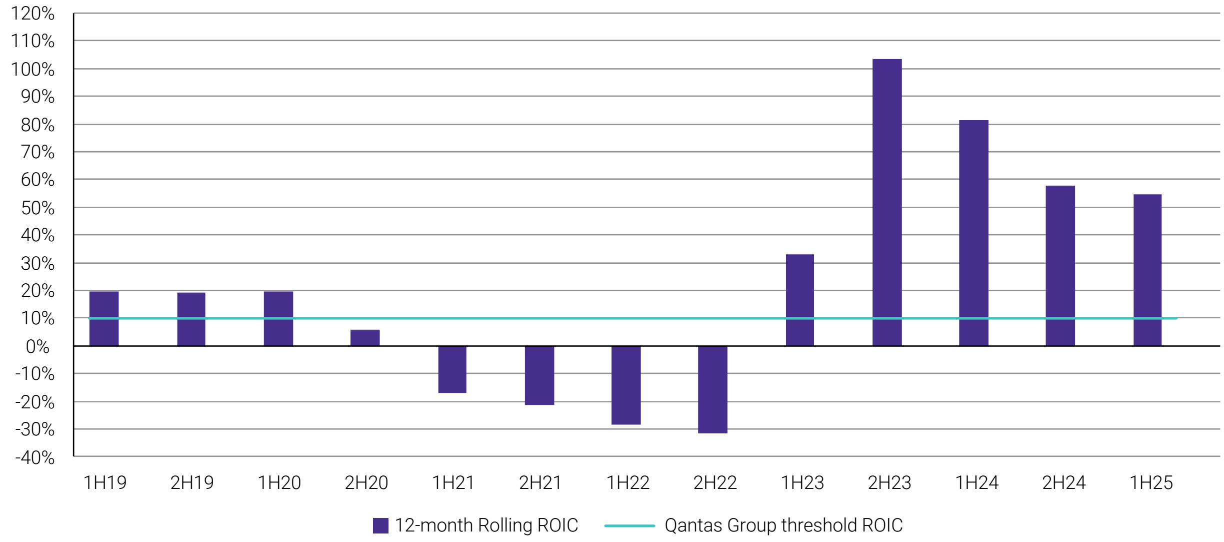
In contrast, the Group is forecasting for Jetstar Domestic to increase capacity by 5% in 2024–25, and then by 7% in the first quarter of 2025–26.[20] Compared to Qantas, Jetstar's target customers are sensitive to price. The airline's focus on budget leisure travel can mean its customers are more flexible with holiday destinations and dates depending on prices offered. This is likely to have resulted

17 Qantas Group, FY25 Half Year Results Financial report, 27 February 2025, p 11, accessed 2 May 2025.
18 Qantas Group, FY25 Half Year Results Presentation, 27 February 2025, p 19, accessed 9 May 2025.
19 Qantas Group, FY25 Half Year Results Presentation, pp 19, 33.
20 Qantas Group, FY25 Half Year Results Presentation, p 33.

in Jetstar picking up customers following the exit of the low-cost carrier Bonza. Despite the high concentration in the domestic aviation market, growing capacity in this segment may put downward pressure on airfares thereby encouraging more people to fly.

Qantas' return on invested capital (ROIC) for the 12 months to 31 December 2024 was 54.6%. It has achieved the target of delivering a ROIC above 10% since the first half of 2022–23 (see figure 2). Since this period Qantas' ROIC has significantly exceeded 10%, reaching a high of 104% in the second half of 2022–23. In its half year financial reporting Qantas noted that ROIC was 'unsustainably high' due to the group's 'unusually low' level of invested capital. Qantas reduced capital expenditure during the pandemic period to preserve cash in a period of uncertainty. Qantas expects ROIC to decline in the near term and revert to 'more sustainable levels' as invested capital grows.[21]

Figure 2: Qantas Group return on invested capital (ROIC)



Source: Qantas Group Supplementary presentations from 2018–19 to 2024–25, 'ROIC calculation'.
Note: Each bar on the chart is the rolling ROIC for the 12 months up until the completion of each half year for the period FY19 to FY25 (YTD).

The Qantas Frequent Flyer program has also continued to contribute to the strong performance of the Qantas Group. The program diversifies Qantas' revenue stream, leaving the total earnings of the business less exposed to the cost volatility associated with operating flights. The program contributed $255 million in underlying EBIT (16.9% of total underlying EBIT) and recorded an operating margin of 19.1% in the first half of 2024–25. Sales to external parties increased by 18% compared to the first half of 2023–24.[22]

21 Qantas Group, FY25 Half Year Results Financial report, pp 7–8.
22 Qantas Group, FY25 Half Year Results Presentation, pp 13, 22.

2.3 Virgin Australia makes record half year profits ahead of plans for initial public offering

While Virgin Australia does not publish half-year financial results, in February 2025 the then-CEO Jayne Hrdlicka said the airline group made record profits for the first half of 2024–25.[23]

The airline group returned to profitability for the first time in 11 years in 2022–23. It announced an underlying EBIT of $439 million in 2022–23, and $519 million in 2023–24.[24]

Virgin Australia is reportedly preparing for an initial public offering, possibly as early as June 2025. Airline executives have met with prospective investors to discuss the carrier's performance. Virgin Australia was previously delisted from the Australia Stock Exchange in late 2020 after it entered administration.[25]

Virgin Australia's strong financial performance follows its operational restructure under investment firm Bain Capital, which acquired the airline group after it went into administration. Under new ownership, the airline group retired the operations of low-cost carrier Tigerair, reduced the number of aircraft types in its fleet, and scaled back its long-haul international flying. As mentioned in section 2.2, it also transitioned away from a premium service offering where it directly competed with Qantas for corporate travellers, to a mid-market offering that emphasised value for consumers. The airline group's workforce has increased more than two-fold, from around 3,500 employees coming out of the COVID-pandemic to around 8,000 employees in February 2025.[26]

Contributing to its more recent success was the exit of Rex from Major City routes in July 2024. In the 6 months following Rex's exit, Virgin Australia increased its share of passengers by 3.1 percentage points to 35.0% in December 2024. It was also able to secure 3 of Rex's Boeing 737 aircraft leases, to support to its existing published schedules and enable increased capacity and network resilience.[27]

On 28 March 2025, the ACCC granted authorisation to Virgin Australia and Qatar Airways, enabling the airline groups to engage in cooperative conduct under an integrated alliance for 5 years. The authorisation enables Virgin Australia, in partnership with Qatar Airways, to operate 28 new weekly return services between Doha and Perth, Brisbane, Sydney and Melbourne starting in June 2025. Virgin Australia will be able to use Qatar Airways' aircraft and crew to operate these services.[28]

The ACCC considers the increased capacity will likely place downward price pressure on these routes and give Virgin Australia and Qatar Airways customers more choice in international flights with additional connectivity and loyalty program benefits.

Virgin Australia considers the partnership with Qatar Airways gives it 'access to the scale and expertise of a world-leading global airline and facilitates its re-entry into long-haul international flying'.[29]

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23 ABC News, Virgin Australia CEO praises Qatar Airways' 'game changing investment' [video], 28 February 2025, accessed 5 May 2025.

24 Virgin Australia, *Virgin Australia returns to profitability in FY23, transformation plan well underway* [media release], 10 October 2023, accessed 9 May 2025; Virgin Australia, *Virgin Australia delivers strong FY24 results, driven by ongoing transformation* [media release], 14 October 2024, accessed 4 May 2025; As a private entity, Virgin Australia is not required to publish its half year and full year financial results.

25 A de Kretser, 'Virgin plans June listing as it restructures into a public company', *Australian Financial Review*, 1 April 2025, accessed 9 April 2025.

26 ABC News, 'Virgin Australia CEO praises Qatar Airways' 'game changing investment', [video], 28 February 2025, accessed 5 May 2025.

27 A Thorne, 'Virgin swoops for Rex 373s in remarkable turnaround', *Australian Aviation*, 30 July 2024, accessed 5 May 2025.

28 ACCC, *Virgin Australia and Qatar Airways integrated alliance authorised*, doubling flights between Doha and Australia [media release], 28 March 2025, accessed 9 May 2025.

29 Virgin Australia, *Qatar Airways Group and Virgin Australia receive final go-ahead from the ACCC from ACCC for Integrated Alliance* [media release], 28 March 2025, accessed 9 May 2025.

The ACCC's authorisation comes after the Australian Government's approval of Qatar Airway's acquisition of 25% interest in Virgin Australia, announced on 26 February 2025. On the advice of the Foreign Investment Review Board, the Government's approval is subject to enforceable conditions to ensure Australian representation on Virgin Australia's board and protection of customer data.[30]

Virgin Australia has also enhanced its international offering by establishing a codeshare arrangement with Air India (see section 2.4).

2.4 Australian airlines continue to expand international services

International passengers travelling to and from Australia surpassed pre-pandemic levels for the first time in November 2024 and has continued to grow. According to BITRE, international arrivals and departures increased by 4.3% in February 2025 compared to the year prior and was 102.8% of February 2019 levels.[31]

Unlike in the highly concentrated domestic sector, airfares steadily fell in the international sector throughout 2024 as capacity continued to increase. Data from travel agency Flight Centre showed that average fares decreased by 6.5% in the first half of 2024–25 when compared to the year prior. [32] In December 2024, the global aviation data provider OAG also reported a downward trend in airfares. However, it did not expect this to continue, with demand for international travel expected to remain strong while global delays in aircraft deliveries are expected to persist.[33] Recent data suggests that airfares to European destinations in June 2025 were higher compared to fares offered 12 months prior.[34]

Jetstar has increased international capacity by over 50% in 2 years

Jetstar International's capacity has increased significantly in response to the strong demand for overseas leisure travel, particularly over the past 2 years. This has been facilitated by the delivery of new Airbus A321LR aircraft from mid-2022. According to BITRE, Jetstar's international seat capacity was around 461,900 in February 2025. This is 52% higher than it was in February 2023 and 46% higher than its capacity pre-COVID (February 2019).

Notwithstanding Jetstar's growth trajectory, Qantas International still offers a relatively higher number of seats. As shown in figure 3, in February 2025 Qantas International provided around 718,800 seats. It has also increased its capacity on international services by 31% over the 2-year period to February 2025, although this is similar to the seat capacity that was available pre-COVID (-1.6%).

30 The Hon Dr Jim Chalmers MP (Treasurer), *Qatar Airways stake in Virgin Australia* [media release], Australian Treasury, 26 February 2025, accessed 9 May 2025.

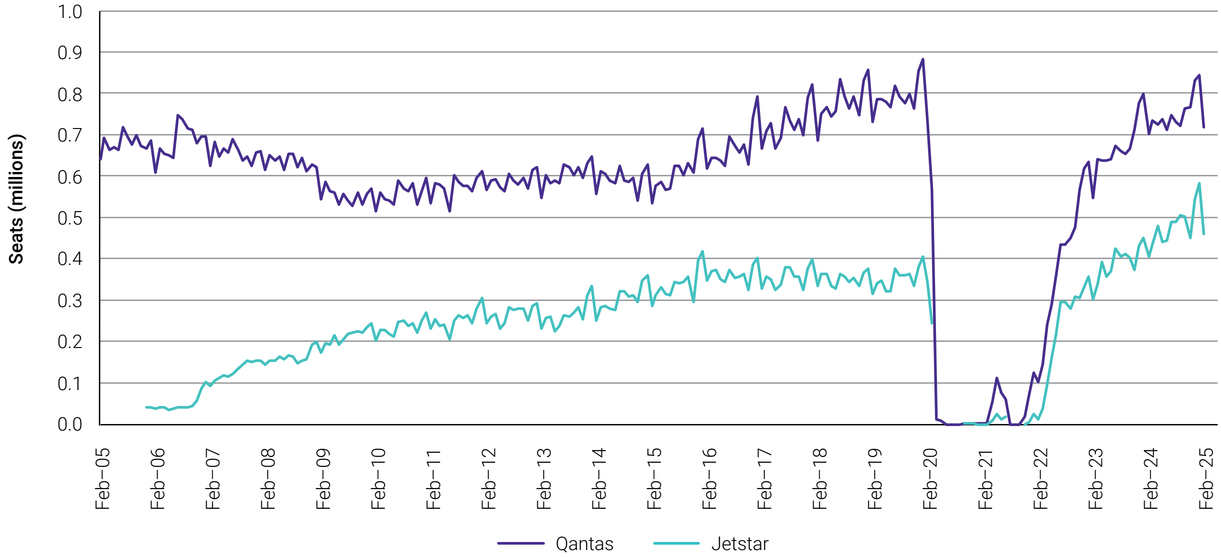
31 BITRE (Bureau of Infrastructure and Transport Research Economics), *International Airline Activity—Time Series* [dataset], 15 May 2025, accessed 15 May 2025.

32 Flight Centre Travel Group, 'FLT – FY25 Half Year Accounts', 26 February 2025, accessed 9 May 2025.

33 OAG, '2025 Airline industry predictions', 12 December 2024, accessed 24 April 2025.

34 R Ironside, 'Virgin capacity boost, but European fares hold steady', *The Australian*, 26 April 2025, accessed 28 April 2025.

Figure 3: Jetstar and Qantas international seat capacity: February 2005 to February 2025



Source: BITRE, International airline activity – February 2025.

As noted in section 2.3, following the recent authorisation for Virgin Australia and Qatar Airways to operate under an integrated alliance, services between Doha and Australia will double with the 28 weekly flights adding 19,824 seats per week to and from Australia. These services will be operated by Qatar Airways on behalf of Virgin Australia. Non-stop services will commence in mid-June and run daily from Perth, Brisbane and Sydney to Doha, with a Melbourne route due to commence in December. [35]

In addition, Virgin Australia launched a new unilateral codeshare with Air India in February 2025, adding to its list of international partners. For Air India customers flying from Delhi to Melbourne or Sydney, the codeshare enables the carrier to add its code to Virgin Australia flights and provide onward connections to 16 cities across Australia and New Zealand.[36]

Other capacity increase announcements include:[37]

- Cathay Pacific expanded their Hong Kong — Brisbane service from 10 to 12 flights per week from 31 March 2025, providing an estimated 58,400 additional seats annually.[38]
- TransNusa will increase its Bali — Perth service from 4 to 7 times per week from 1 June 2025, which will provide an estimated 54,400 additional seats annually.[39]
- China Southern Airlines will increase its Guangzhou — Brisbane service from 5 to 7 times a week from 10 June 2025, providing an estimated 65,500 additional seats annually.[40]

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35 ACCC, *Virgin Australia and Qatar Airways integrated alliance authorised*, doubling flights between Doha and Australia [media release], 28 March 2025, accessed 31 March 2025; ACCC, 'Application for authorisation by Virgin Australia and Qatar Airways Group Q.C.S.C' , 11 October 2024, p 26, accessed 7 May 2025.

36 Air India, *Air India and Virgin Australia enter codeshare partnership* [media release], 17 February 2025, accessed 9 May 2025.

37 Note: The ACCC estimated additional annual seat capacity for Cathy Pacific's Hong Kong – Brisbane service, TransNusa's Bali – Perth service, China Southern Airlines' Guangzhou – Brisbane service and Singapore Airlines' Brisbane – Singapore service, based on standard seat capacity of the aircraft used on the route and the number of additional annual flights.

38 Brisbane Airport, *BNE delivers for Brisbane* [media release], 26 March 2025, accessed 9 May 2025.

39 Perth Airport, *Perth Airport welcomes TransNusa's new service to Bali* [media release], 20 March 2025, accessed 23 April 2025.

40 Brisbane Airport, *BNE delivers for Brisbane.*

- Singapore Airlines will increase from 24 to 28 services per week between Brisbane and Singapore from 16 June 2025, providing an estimated 105,500 additional seats per year.[41]
- Jetstar will launch its Gold Coast — Bali service 3 times per week from 1 August 2025, adding 58,000 seats annually.[42]
- Malaysia Airlines will relaunch its Kuala Lumpur — Brisbane service 5 times per week from 29 November 2025, delivering 75,000 inbound seats to Queensland annually.[43]

2.5 Record demand contributes to delays at Perth Airport

International and domestic passenger traffic has grown substantially at Perth Airport over the past few years, reaching a record 16.9 million passengers in 2024.[44] Increased passenger demand to and from the airport however has contributed to demand exceeding capacity during peak periods, thereby increasing schedule delays. Adding to this issue, air traffic navigation provider Airservices Australia said that there has been a high degree of non-compliance to slot management rules or Air Traffic Flow Management programs by various air transport operators at the airport.[45] The annual industry on-time arrival rate for flights to and from Perth Airport was 71.9% in 2024, compared to 81.5% in 2019.[46]

Airservices Australia has been working together with various industry stakeholders since late February 2025 to introduce new slot compliance measures at the airport.[47] This engagement has coincided with a notable improvement in demand and capacity imbalances and a reduction in schedule delays. The monthly average industry arrival rate for flights to and from Perth Airport improved to 80.2% in March 2025, from a low of 61.7% in November 2024 (see figure 4).

41 Brisbane Airport, *BNE delivers for Brisbane*, [media release], 26 March 2025, accessed 15 May 2025.

42 Jetstar, *Jetstar announces new direct flights between the Gold Coast and Bali with sale fares from $199* [media release], 17 April 2025, accessed 23 April 2025.

43 Brisbane Airport, *Malaysia and Queensland reconnecting* [media release], 18 April 2025, accessed 23 April 2025.

44 Perth Airport, *Aviation surges as Perth Airport posts record passenger numbers* [media release], 17 January 2025, accessed 30 April 2025.

45 Airservices Australia, *Australian Aviation Network Overview October 2025*, 12 November 2024, p 17, accessed 30 April 2025.

46 ACCC calculations using BITRE data, On-time performance time series – March 2025.

47 Airservices Australia, *Australian Aviation Network Overview March 2025*, 15 April 2025, p 16, accessed 9 May 2025.

Figure 4: Industry on-time arrival rate for flights to and from Perth Airport: January 2019 to March 2025

Source: ACCC calculations using BITRE data, On-time performance time series – March 2025.

Perth Airport is also working to increase capacity and efficiency at the airport, with the delivery of a multi-billion dollar investment program including a new runway and new terminal facilities.[48] The runway and new terminal facilities are scheduled to be operational in 2028 and 2031 respectively.[49]

2.6 New body appointed to manage slots at Sydney Airport commenced in April

One of the key policy reforms set out in the Australian Government's 2024 Aviation White Paper relates to the system for managing slots at Sydney Airport. The proposed reforms seek to improve efficiency in the allocation and use of take-off and landing slots at Sydney Airport and reduce incentives for anti-competitive slot misuse.

The appointment of an independent slot manager was considered a critical aspect of this reform. This includes introducing new governance arrangements to ensure that potential conflicts of interest are appropriately managed. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts ran a competitive process to appoint an independent slot manager for Sydney Airport. In February 2025, it was announced that UK-based Airport Coordination Limited would commence in its new role as Sydney Airport slot manager in early April 2025, replacing Airport Coordination Australia.[50]

Along with this announcement, the Department released a Statement of Expectations relating to the functions of the Slot Manager, including expectations that the Slot Manager is to take reasonable steps to address stakeholder concerns regarding potential perceived conflicts of interest in slot allocation and to meet the highest standards of transparency and data accountability.[51]

48 Perth Airport, *Aviation surges as Perth Airport posts record passenger numbers* [media release], 17 January 2025, accessed 9 May 2025.

49 Perth Airport, *Projects*, accessed 9 May 2025.

50 The Hon Catherine King MP, *Sydney Airport gearing up for new slot manager* [media release], Department of Infrastructure, Transport, Regional Development, Communications and the Arts, 18 February 2025, accessed 9 May 2025.

51 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Statement of Expectations – Slot Manager for Sydney Airport, 18 February 2025, accessed 16 April 2025.

Later this year, the government is expected to consult more broadly on the new slot management framework, including on supporting legislation, information collection and reporting on slot use and the establishment of an independent compliance committee.[52]

The ACCC considers the appointment of an independent Slot Manager at Sydney Airport, and the associated Statement of Expectations, will provide for greater transparency about the slot manager's approach to managing conflict and airlines' use of slots. This will enable the slot manager to better ensure that airlines do not hold more slots than they need and may lead to more slots being freed up for new and expanding airlines.

2.7 Virgin Australia refunds customers who were overcharged a fare difference when making a booking change

Virgin Australia has identified issues within its systems and processes that have resulted in some customers being charged a higher fare difference than they should when they requested changes to their bookings. The issue has affected 61,000 customers who made booking changes between April 2020 and March 2025 (approximately 0.1% of all bookings made during that time).[53]

Virgin Australia has identified affected customers and launched an Itinerary Change Claim Program to process refunds to these customers. Virgin Australia has engaged Deloitte Australia to assist with the claims process. Affected customers have been contacted by Virgin Australia and Deloitte directly and have up to 12 months to claim their refunds.

Virgin Australia said that affected customers will receive an average refund of approximately $55 with about 15% of affected customers owed over $100. The total refund value is about $3.4 million.

Virgin Australia said that once the program closes, any amounts that affected customers elect not to claim will be donated to charity.

The ACCC has been notified of the overcharging issue and is assessing whether any further action is required.

52 The Hon Catherine King MP, Sydney Airport gearing up for new slot manager.

53 Virgin Australia, *Virgin Australia Itinerary Change Claim Program*, accessed 11 April 2025; R Whitson, 'Virgin Australia to refund 61,000 customers after overcharging for flights', *ABC News*, 10 April 2025, accessed 6 May 2025; R Ironside, 'Virgin Australia hires Deloitte to help with mass refunds after overcharging customers', *The Australian*, 10 April 2025, accessed 7 May 2025.

3. Industry activity and reliability of performance

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

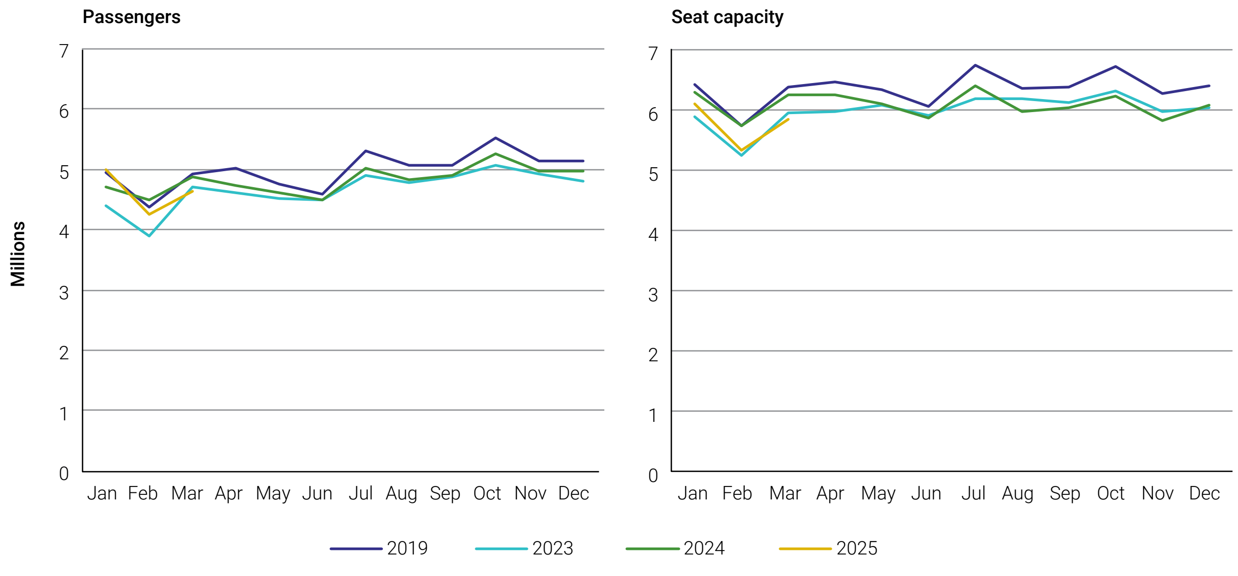
The Qantas Group (comprising Qantas and Jetstar), Rex, Virgin Australia (including Tigerair until June 2020) and Bonza (until March 2024) supplied the ACCC monthly passenger and seat capacity data up to March 2025 to inform our analysis in section 3.1.

Additionally, section 3.2 includes analysis of cancellation rates and on-time performance using Bureau of Infrastructure and Transport Research Economics (BITRE) data up to March 2025.

3.1 Ex-Tropical Cyclone Alfred reduces passenger levels and capacity in March

Passenger levels and seat capacity were both lower than typically observed in March 2025, largely due to travel disruptions caused by Ex-Tropical Cyclone Alfred. Holiday travel was also expected to peak later in the calendar year, with school holidays and public holidays falling in April. This is evident in the passenger volume and seat capacity levels recorded for March 2025 which fell below the levels recorded in March 2023 and 2024 (see Figure 5).

Figure 5: Monthly passenger levels and seat capacity – 2019, 2023, 2024 and 2025



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Domestic airlines carried 4.6 million domestic passengers in March 2025. This was 4.9% lower than March 2024 levels and 6.1% below March 2019 levels.

Ex-Tropical Cyclone Alfred caused airlines to cancel flights to and from Ballina, Brisbane, Bundaberg, Coffs Harbour, Gold Coast, Hervey Bay, Lord Howe Island and Maroochydore airports, with some cancellations lasting several days. This is evident in the passenger numbers that were recorded on Gold Coast, Sunshine Coast and Brisbane routes, which fell by 30.2%, 25.1% and 6.6% respectively compared to March 2024.

Virgin Australia was the only airline to increase passenger volumes (+4.4%) in March 2025 when compared to March 2024. Passenger volumes decreased for Jetstar (-1.0%) and Qantas (-2.0%) in March 2025 when compared to March 2024. The increase in passenger volumes for Virgin Australia was driven by an increase in passengers flying on Major City routes (+5.8%). Meanwhile, both Jetstar and Qantas flew fewer passengers (by 5.4% and 4.1% respectively) on Major City routes over the same period.

Passenger levels on Remote routes increased by 6.5% across the sector from March 2024 to March 2025. Notably, passenger levels on Remote routes increased by 14.5% for Virgin Australia and by 6.4% for Qantas, while passenger levels fell by 4.9% for Jetstar.

Meanwhile, passenger levels on Regional routes decreased by 5.3% from March 2024 to March 2025. Passenger volumes for Rex declined across both Regional and Remote routes over the period by 19.2% and 3.1% respectively.

The airlines flew 5.8 million seats in March 2025, decreasing by around 416,000 seats (-6.6%) compared to March 2024 and by around 535,000 seats (-8.4%) compared to March 2019.

Consistent with passenger volume trends, Virgin Australia was the only airline to increase total seat capacity over the 12-month period to March 2025, by 2.7%. Seat capacity decreased for Qantas (-3.4%) and Jetstar (-0.7%) over the same period.

With respect to Major City routes, Virgin Australia was the only airline to increase seat capacity (by 3.5%) when compared to the previous year. Seat capacity decreased for Qantas (-6.9%) and Jetstar (- 4.1%) in the same period.

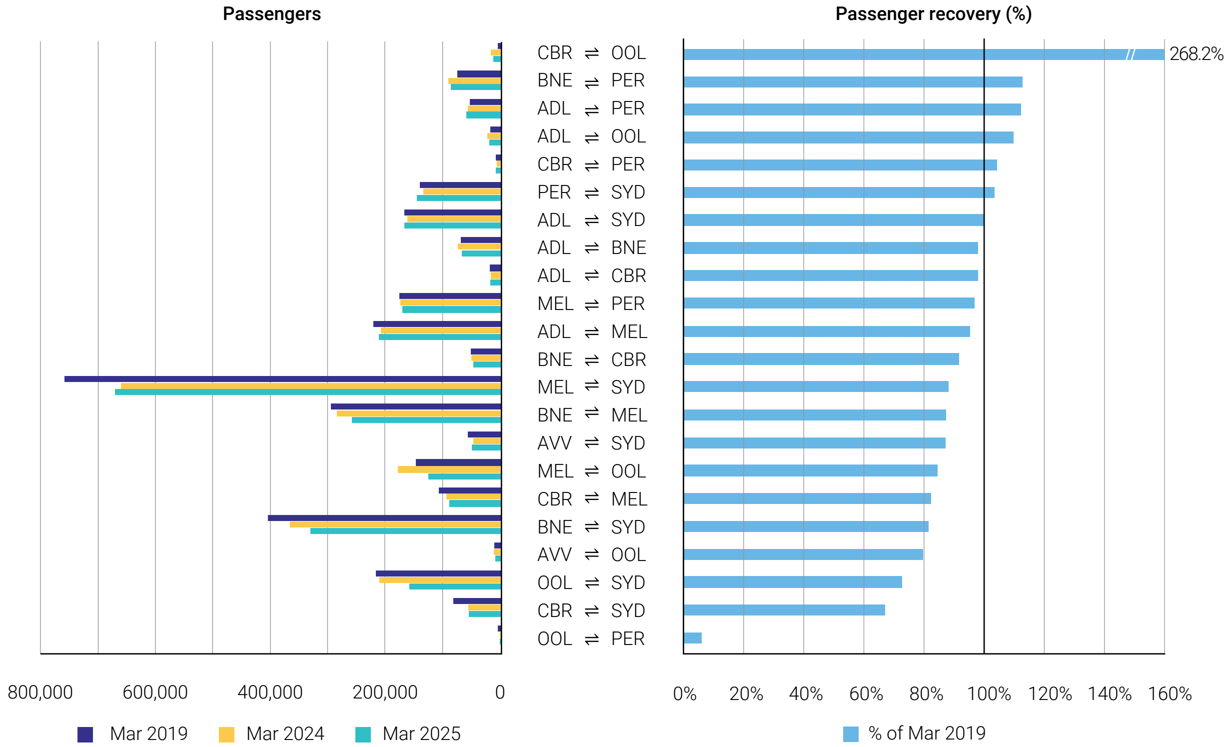
Since March 2024, Jetstar added 4.2% more seats on Regional routes, while Virgin Australia (-1.6%) and Qantas (-0.8%) both reduced seats. On Remote routes, however, Virgin Australia and Qantas added capacity by 11.0% and 5.6% respectively while Jetstar reduced seats (- 8.4%) when compared to March 2024.

The industry-wide average load factor, measured by the percentage of available seats filled by passengers has remained above 80.0% since August 2024. High load factors indicate strong demand but can negatively impact consumers. For example, with less spare seats on flights, passengers may be waiting longer to be re-accommodated on a new flight in the event of a cancellation.

In March 2025 the average load factor was 80.1% across the industry. This was 1.5 percentage points higher than in March 2024 and 1.8 percentage points higher than in March 2019. The load factors for Jetstar, Virgin Australia and Qantas were 86.9% and 82.9% and 75.1% respectively in March 2025. Average load factors are typically higher on Major City routes – in March 2025 the average load factor on these routes was 84.0%.

Figure 6 ranks routes connecting larger cities by comparing passenger levels to March 2024 and March 2019. In March 2025, 7 routes exceeded 2019 passenger levels, including 6 routes to and from the Gold Coast and Perth.

Figure 6: Passenger levels on routes connecting larger cities – March 2019, 2024 and 2025



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.
Note: CBR – OOL represents 268.2%.

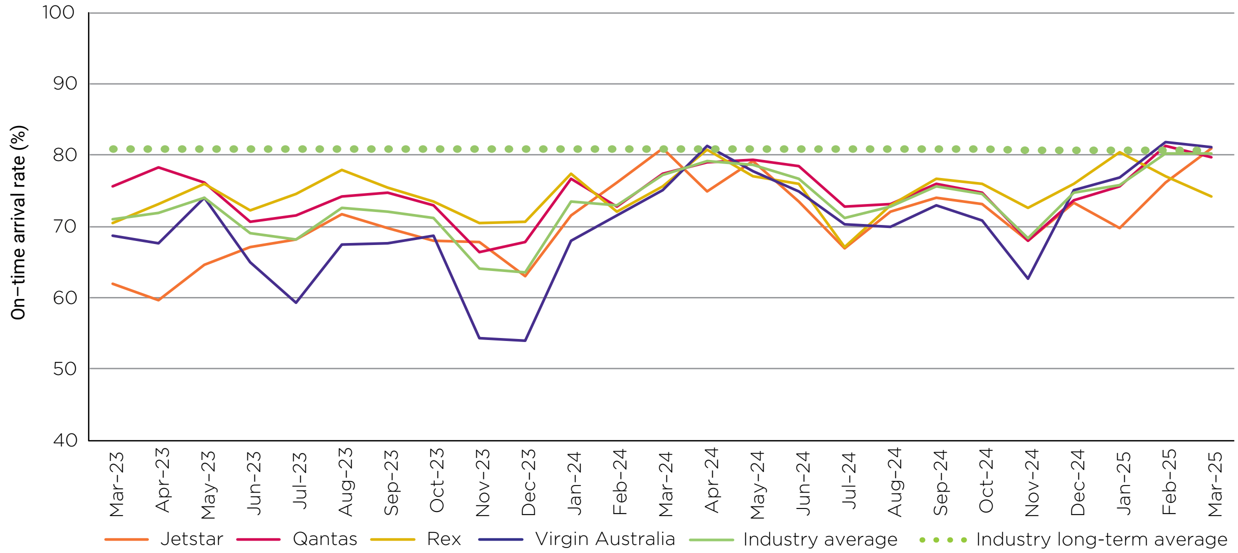
Passenger volumes in March 2025 were lower on Brisbane routes with no routes connecting larger cities to and from Brisbane exceeding March 2024 levels. The drop in passenger numbers on Brisbane routes can be explained by cancellations caused by Ex-Tropical Cyclone Alfred in early March. Melbourne – Sydney continues to be the busiest route with over 670,000 passengers, representing 14.5% of domestic passengers.

3.2 On-time arrival rates improve despite weather setbacks in March

Over the past 6 months, airlines have demonstrated measurable improvements in on-time performance. Carriers have been able to reduce delays and maintain more reliable schedules. This trend reflects ongoing efforts across the domestic aviation industry to strengthen resilience and minimise the impact of external factors such as adverse weather on on-time performance.

Figure 7 shows that across the industry the rate of flights that arrived on time has improved over the past 6 months to levels just below the long-term industry average of 80.7%. The average industry on-time performance rate (arrivals) improved 5.7 percentage points from October 2024 to 80.2% in March 2025.

Figure 7: Airline on-time performance rates (arrivals) – March 2023 to March 2025



Source: BITRE, On-time performance time series – March 2025. Qantas figures include QantasLink and Virgin Australia figures include VARA.

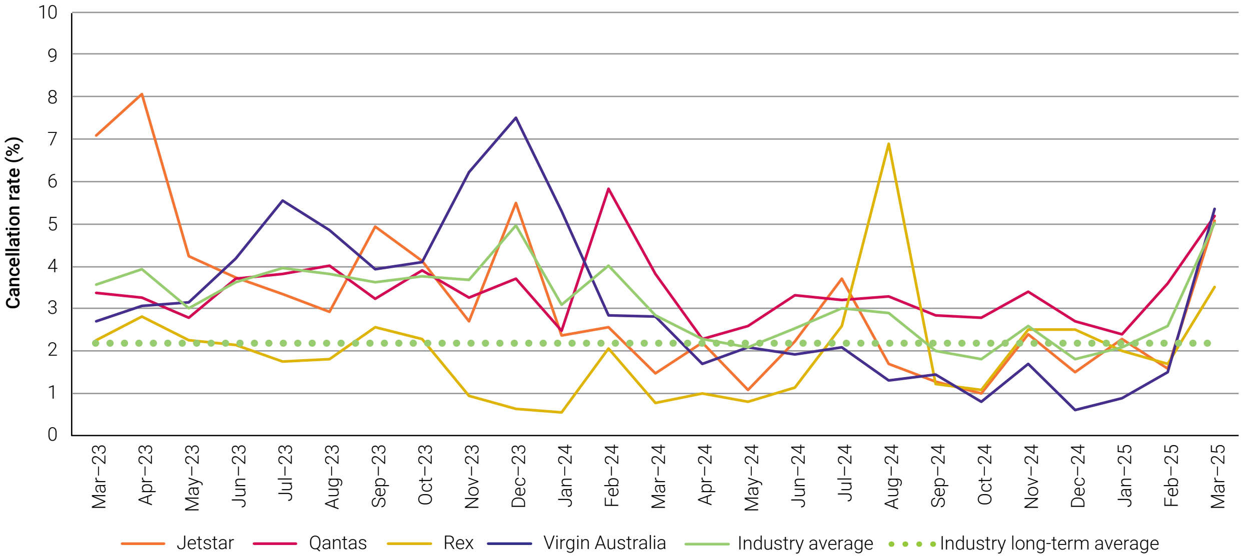
Note: A flight is considered on-time if it arrives within 15 minutes of the scheduled arrival time shown on the airline's schedule.

Virgin Australia reported the highest on-time performance amongst the monitored airlines in March 2025 at 81.2%, followed by Jetstar (80.9%) and Qantas (79.8%). Rex reported the lowest on-time performance at 74.2%. This was the second consecutive month that 2 or more airlines recorded an on-time performance rate above the long-term industry average of 80.7%, reflecting an industry wide improvement to service reliability in recent months. Virgin Australia was the best performing airline over the first quarter of 2025 with an average on-time performance rate of 80.0%.

Airline service reliability was significantly impacted by severe weather interruptions in southeast Queensland and northern New South Wales in March 2025. Ex-Tropical Cyclone Alfred compelled airlines to make short-term scheduling adjustments to prioritise safety and protect critical infrastructure. The disruptions contributed to the industry cancellation rate reaching its highest level since July 2022.

Figure 8 shows the monthly cancellation rates for each of the monitored airlines compared to the industry average. A flight is regarded as a cancellation if it is cancelled or rescheduled less than 7 days prior to the scheduled departure time.

Figure 8: Airline cancellation rates – March 2023 to March 2025



Source: BITRE, On-time performance time series – March 2025. 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.

Industry cancellation rates surged to 5.0% in March 2025, significantly exceeding the long-term industry average of 2.2%. The spike in cancellations can be attributed to the impact of Ex-Tropical Cyclone Alfred in early March. The airports most affected by the cyclone included Ballina, Brisbane, Coffs Harbour, Coolangatta (Gold Coast) and Maroochydore (Sunshine Coast). Routes with the highest cancellation rates in March 2025 were Ballina – Sydney (15.6%), Launceston – Brisbane (14.3%), Gold Coast – Melbourne (13.7%) and Sydney – Coffs Harbour (11.8%). The highest cancellation rate on a route not directly affected by the cyclone was 2.9% on Canberra – Sydney.

Of the monitored airlines, Virgin Australia recorded the highest cancellation rates in March 2025 at 5.4%. Compared to the other airlines, Virgin Australia has a relatively higher network concentration in Queensland. It also has a strong employee base in Brisbane, some of whom were unable to work, further impacting on its operations. According to Virgin Australia, 84% of its cancellations in March were related to Ex-Tropical Cyclone Alfred.[54]

The Qantas Group also noted that more than half of Jetstar's domestic network touches Queensland and was severely impacted.[55] Qantas and Jetstar recorded cancellation rates of 5.2% and 5.1% respectively. Rex recorded the lowest cancellation rate at 3.5%.

Despite the high volume of interruptions on routes connecting southeast Queensland, cancellation rates improved on some Major City routes, falling below the industry average. In March cancellation rates were relatively low on Melbourne – Adelaide (0.0%) Sydney – Perth (0.2%), Melbourne – Perth (0.2%) and Sydney – Melbourne (2.0%).

54 J Nelson, 'Cyclone Alfred blamed for spike in cancellations last month', *Australian Aviation*, 23 April 2025, accessed 6 May 2025.

55 J Nelson, 'Cyclone Alfred blamed for spike in cancellations last month'.

4. Competition and connectivity

This chapter examines domestic airline competition, including the number of routes operated by the monitored airline groups, as well as domestic passenger market share by airline.

As with chapter 3, the Qantas Group, Rex and Virgin Australia have supplied the ACCC with monthly data up to March 2025 to inform this analysis. The ACCC only has data from Bonza for up to March 2024 even though it operated services until the end of April 2024.

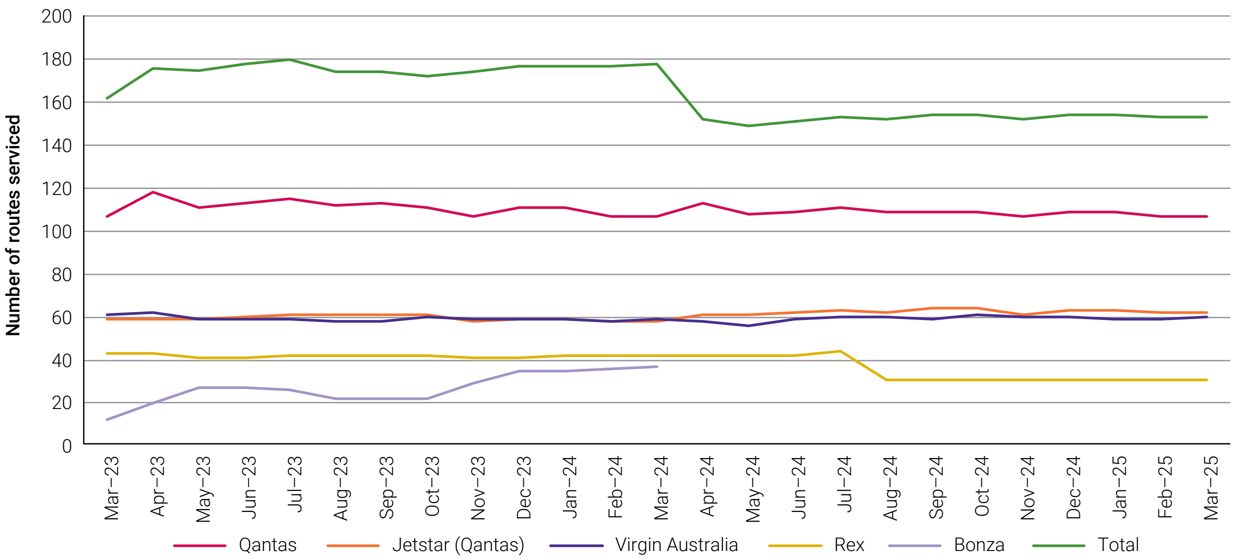
The 2 airlines within the Qantas Group (Qantas and Jetstar) are not considered to be in competition with each other.

4.1 Airline connections remain stable as duopoly is maintained

The number of domestic routes, both overall and for each airline, has remained relatively stable over the 12 months to March 2025.

As of March 2025, a total of 153 routes were serviced by the monitored airlines in Australia, down from 178 routes in March 2024 (see Figure 9).

Figure 9: Number of domestic routes operated by airlines – March 2023 to March 2025



Source: ACCC calculations using data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Note: Routes will less than 7 monthly flights are excluded from the total number of routes.

The driver of the decrease over this period was the exit of Bonza from the sector. Bonza was the sole operator on a majority (30) of the 37 routes it serviced. This compares to when Rex ceased operating on Major City routes. There was no real change in the total domestic routes serviced when this occurred, as the routes serviced by Rex were already serviced by competing airlines.

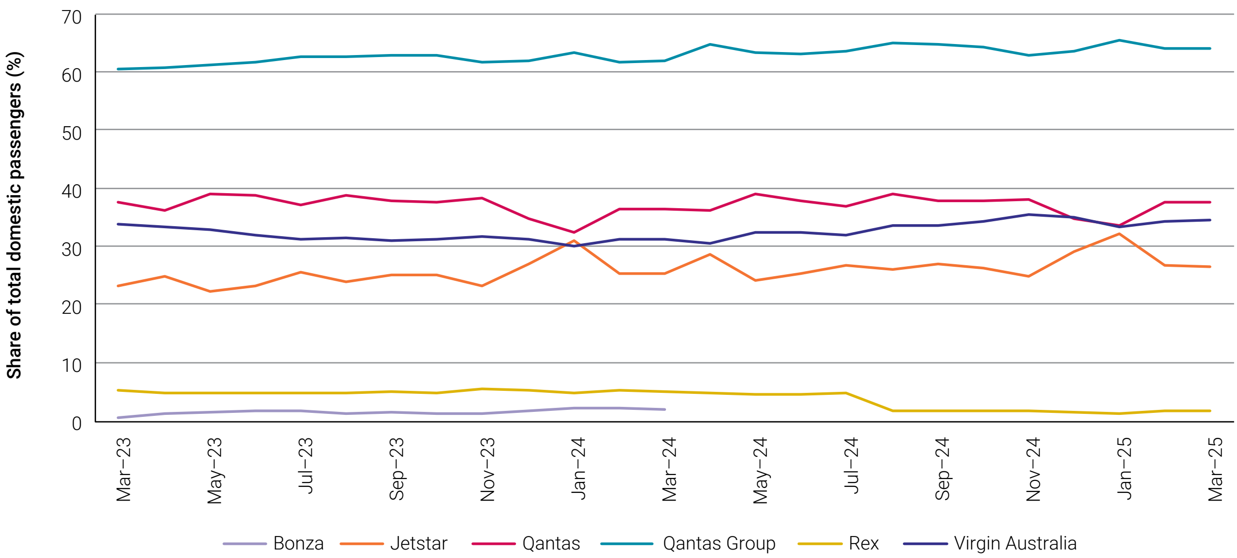
Of the 153 routes operated by major domestic airlines in March 2025, most were operated by Qantas (107 routes), followed by Jetstar (62 routes), Virgin Australia (60 routes) and Rex (31 routes).

Since March 2023, the number of routes operated by Qantas, Jetstar, Virgin Australia has remained relatively stable. Meanwhile, the number of routes serviced by Rex routes fell from 44 to 31 in late July 2024, when it ceased operating Major City services. Since then, Rex has remained on the same 31 Regional and Remote routes.

4.2 Qantas Group and Virgin Australia dominate domestic airline passenger shares

The domestic airline sector continues to be dominated by 2 major airline groups. Figure 10 shows passenger shares by airline each month over the 2-year period to March 2025.

Figure 10: Share of passengers serviced by airline group across all domestic routes – March 2023 to March 2025



Source: Data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Although Virgin Australia overtook Qantas by servicing more passengers in December 2024, Qantas has since regained the lead, servicing the largest share of passengers in March 2025, at 37.5% followed by Virgin Australia at 34.4% and Jetstar at 26.4%.

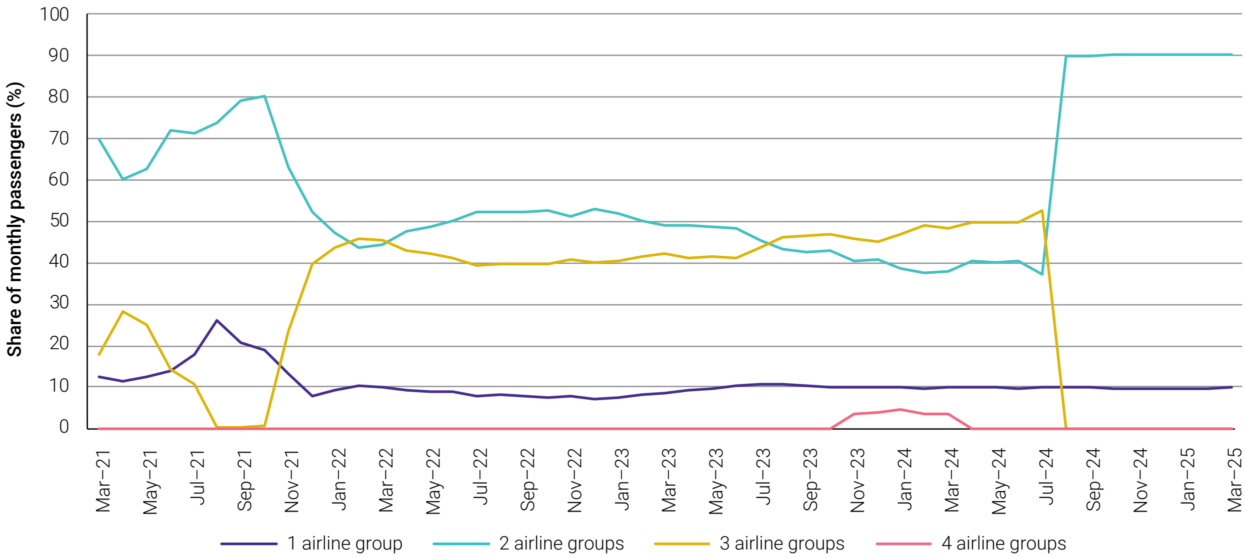
Combined, Qantas Group serviced 63.9% of all passengers in March 2025. With Virgin Australia, the proportion of passengers serviced by the 2 largest domestic airline groups was 98.3% while Rex carried 1.7% of passengers.

Apart from Rex, all of the monitored airlines slightly increased their share of passengers over the 12 months to March 2025. In particular, the proportion of passengers serviced by Virgin Australia increased by 3.1 percentage points to 34.4% in March 2025. Compared to the other airlines, Virgin Australia likely picked up more of Rex's would-be passengers following Rex's exit on Major City routes, having increased its capacity with the acquisition of 3 of Rex's Boeing 737 aircraft.

Over the quarter to March 2025, Qantas' share of passengers increased by 4.1 percentage points, while Jetstar's share of passengers declined by 5.6 percentage points. Meanwhile, Virgin Australia and Rex's market shares remained relatively unchanged. These trends reflect the relative increase in business travel demand and decrease in leisure travel demand in February and March.

Figure 11 shows the proportions of passengers that travelled on routes serviced by 1, 2, 3 or 4 different airline groups up until March 2025. Since Rex withdrew from Major City routes at the end of July 2024, there has been no domestic route operated by more than 2 major airline groups.

Figure 11: Share of passengers on routes serviced by 1, 2, 3 and 4 airline groups – March 2021 to March 2025



Source: ACCC calculations using data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Note: Airline groups comprise Qantas Group (including Jetstar), Virgin Australia, Rex and Bonza (up to March 2024).

The relative shares of monthly passengers flown have been steady following Rex's exit from Major City routes, with 90% of passengers flown on routes serviced by 2 airline groups since August 2024. The remaining 10% of passengers have flown on routes serviced by 1 airline group.

5. Airfares and jet fuel prices

This chapter discusses trends in domestic airfares and the price of jet fuel. The cost of jet fuel is an important contributor to ticket prices.

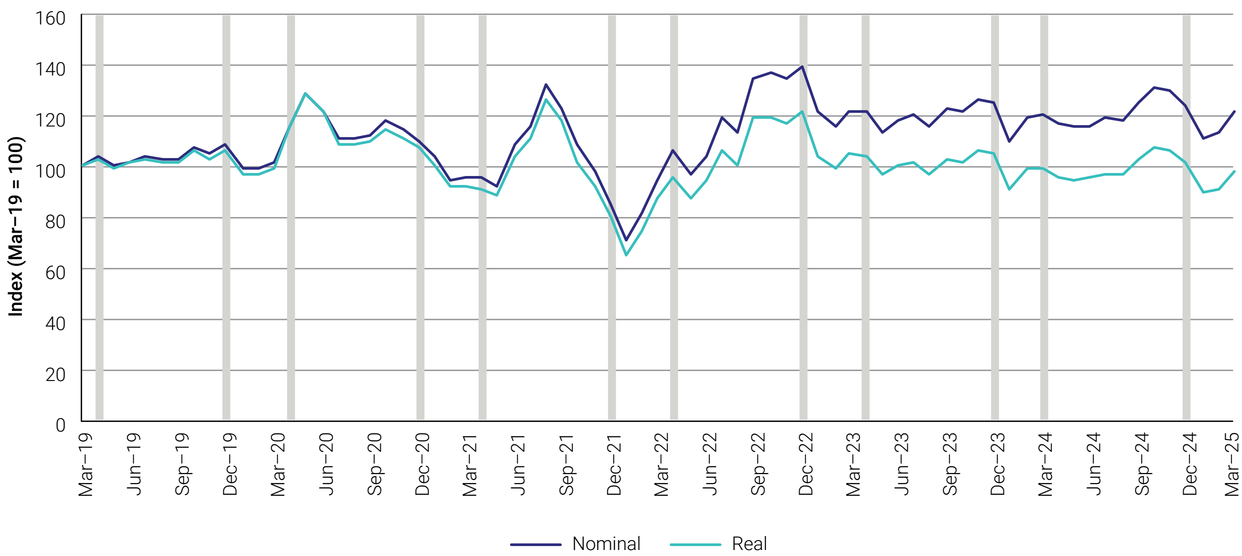
The Qantas Group (comprising Qantas and Jetstar), Rex and Virgin Australia have supplied the ACCC with monthly data up to March 2025 to inform our analysis of average revenue per passenger in section 5.1. This section also draws on BITRE airfare data up to March 2025.

The jet fuel data in section 5.2 is current to March 2025.

5.1 Average airfares generally followed seasonal trends in the first quarter of 2025

When compared to previous years, the real average revenue per passenger index has generally followed seasonal trends in recent months. Figure 12 shows average revenue per passenger to March 2025, represented as an index to show changes relative to March 2019. Average revenue per passenger reflects movements in airfares across all types of domestic tickets and fare classes.

Figure 12: Index of average fare revenue per passenger – March 2019 to March 2025



Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Note: (1) 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 and food and drink sold on board. (2) Data has been adjusted for inflation using ABS CPI quarterly data up to March 2025. (3) Grey bars indicate December and Easter holiday periods.

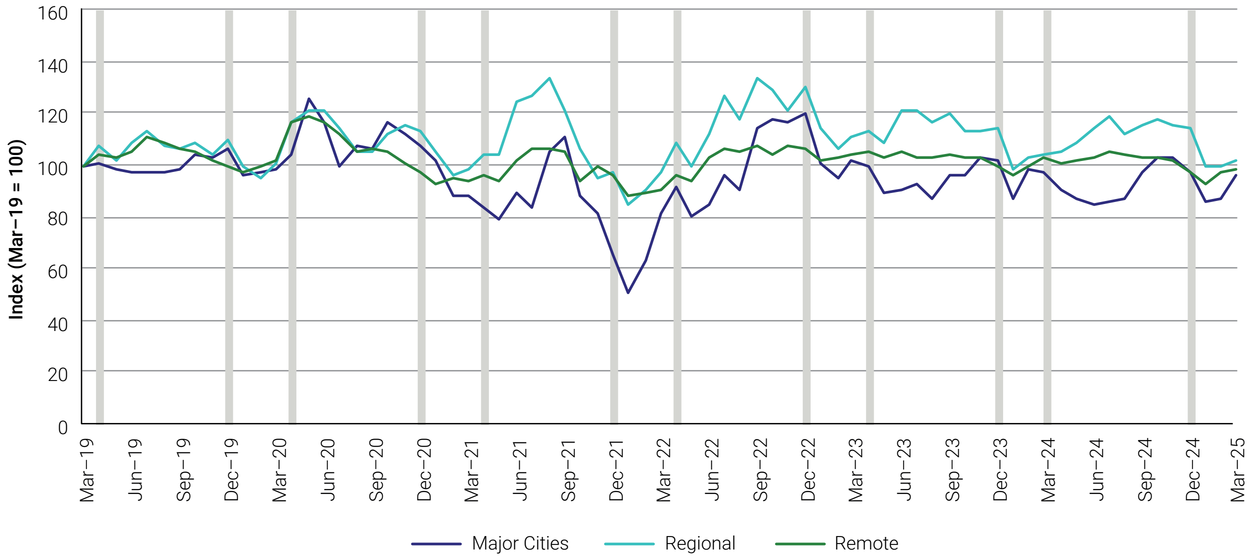
Following a peak in October 2024, the average real revenue per passenger index fell by 16.1% to January 2025, and then increased again by 9.6% by March 2025. Fluctuations in the quarter to March 2025 reflect seasonal trends consistent with those observed in previous years.

The average revenue per passenger index in March 2025 was relatively consistent in real (-1.0%) and nominal (+1.4%) terms compared to 12 months prior. This is despite no school holidays in March this year and falling jet fuel prices. The index was also consistent with pre-pandemic (March 2019) levels in real terms (-1.3%), but higher in nominal terms (+21.6%) reflecting the growth in inflation in recent years.

The lower jet fuel prices in recent months (see section 5.2) should result in downward pressure on airfares over the next quarter.

Figure 13 shows the trend in average monthly airline revenue per passenger since March 2019 by route type (Major Cities, Regional, and Remote). Similar to the average revenue per passenger across all routes, seasonal trends are observed for each route type in the quarter to March 2025.

Figure 13: Index of average real fare revenue per passenger by route type: March 2019 to March 2025



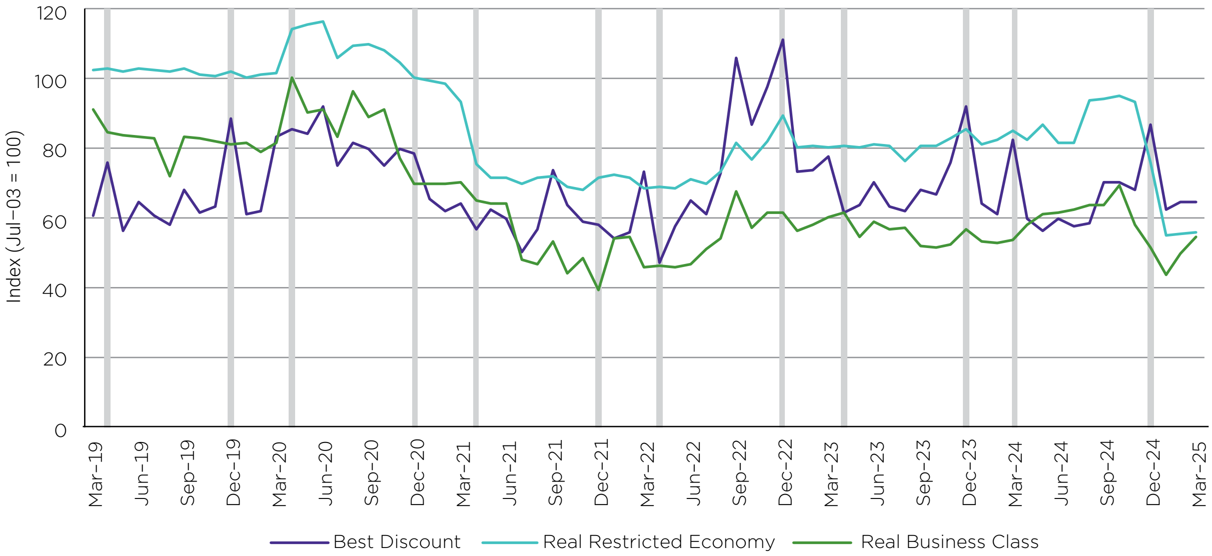
Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza (up to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Note: (1) 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 and food and drink sold on board. (2) Data has been adjusted for inflation using ABS CPI quarterly data up to March 2025. (3) Grey bars indicate December and Easter holiday periods.

Compared to 12 months prior, the real average revenue per passenger index was stable in March 2025 on Major City routes (-0.4%) but decreased on Regional (-2.2%) and Remote routes (-4.0%).

Figure 14 shows alternative airfare data reported by BITRE. BITRE produces different price indices for best discount fares, restricted economy fares and business fares. It calculates the price indices by looking for the cheapest available airfare of that type on a route, across any airline, for the last Thursday of the month.

Figure 14: BITRE real air fare index, by type (best discount, business, restricted economy) – March 2019 to March 2025



Source: BITRE Domestic Air Fares index. 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).

BITRE's real best discount airfare index decreased by 25.6% from December 2024 to March 2025. This trend is generally observed in the months following the peak Christmas holiday season. Compared to the 12 months prior, BITRE's real best discount airfare index decreased by 21.7% in March 2025. This is partly because BITRE's data collection date in March 2024 (28 March) coincided with the peak school holiday and easter period.

Both the real restricted economy and business airfare index fell sharply from late 2024 to March 2025. The restricted economy fare fell by 40.1% from November 2024 to March 2025. Similarly, the real average business airfare index decreased by 37.1% between October 2024 and January 2025.

In November 2024, Virgin Australia made some changes to its fare structures which gave customers more pricing options across the Economy fare brands (Lite, Choice and Flex fares), offering Lite and Choice fares across a longer booking period up to the day of departure (subject to availability), and offering the availability of more affordable Flex fares further in advance of the day of departure.[56] Given BITRE's real restricted economy index is constructed from Virgin Australia's Flex fares, the fall in BITRE's real restricted economy index over the last quarter compared to the year prior, is likely to have been impacted by Virgin Australia's changes.

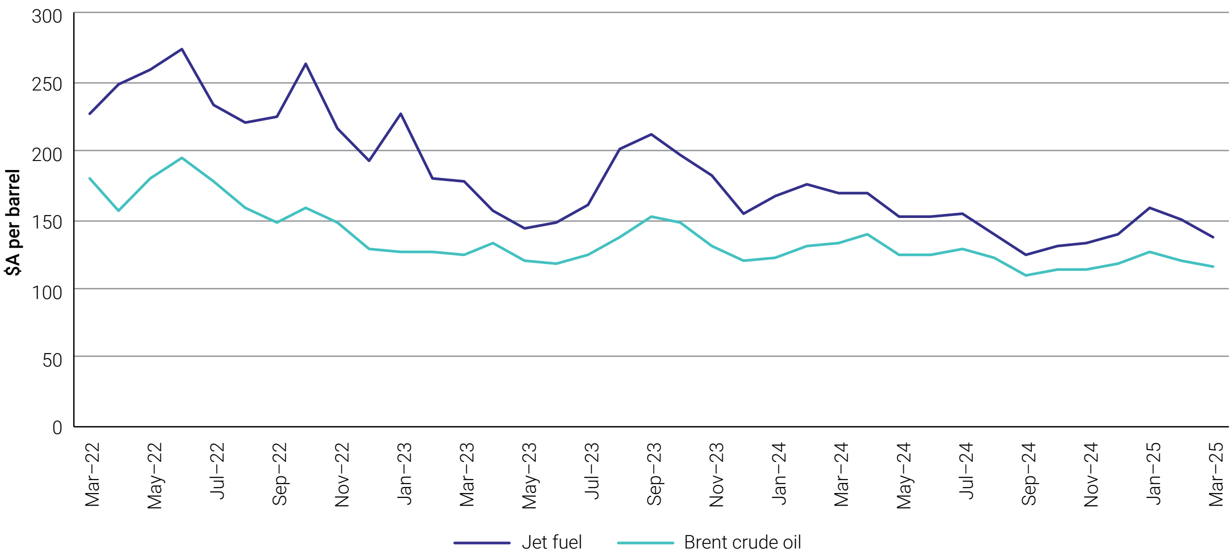
5.2 Jet fuel prices remain low in March

Jet fuel is a significant contributor to an airline's operating costs. It will typically account for between 15% and 25% of an airline's operating costs, but this can vary depending on factors such as the price of jet fuel, the type of aircraft and the route. Some airlines will shield themselves from the volatility of jet fuel prices through hedging, which is essentially purchasing an amount of fuel at a fixed price for later delivery.

Figure 15 shows the jet fuel prices in real terms between March 2022 and March 2025.

56 Virgin Australia, *Virgin Australia's Expanded Fare Types: More Choice, Value and Flexibility for Every Traveller*, 12 May 2025, accessed 12 May 2025; Virgin Australia, *Changes to Virgin Australia Fare Brand availability*, n.d., accessed 12 May 2025.

Figure 15: Real jet fuel and Brent crude oil prices – March 2022 to March 2025



Source: ACCC calculations using ABS, RBA and US Energy Information Administration 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.

Although the price of jet fuel has generally trended downward since September 2023, it increased in January 2025, before declining again more recently by 12.9% in March 2025 ($138.0 per barrel). A lower exchange rate with respect to the United States dollar contributed to the increase in the price of jet fuel in Australian dollars in January 2025. Brent crude oil was A$115.5 per barrel in March 2025. This represented a 13.4% decrease from March 2024. As noted in section 5.1, this should put downward pressure on fares in coming months.

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