



26 September 2022

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

By email: [Jasmina.Ackar@infrastructure.gov.au](mailto:Jasmina.Ackar@infrastructure.gov.au)

Dear Ms Ackar,

**Additional Information – Indonesia Route**

I refer to your letter of 9 September 2022 inviting Qantas to address the section 9 ‘additional criteria’ of the *International Air Services Commission Policy Statement 2018* in support of our application for an allocation of 162 seats per week on the Indonesia route.

Qantas’ comments addressing section 9 of the Policy Statement are outlined in Attachment 1.

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

Yours sincerely,

**Anna Pritchard**  
Executive Manager, Government, Industry & Competition



### Australia-Indonesia Route

In 2019, Indonesia ranked 4th in terms of all origin/destination traffic carried to/from Australia, with three million passengers travelling between the two countries. Passenger growth in the two years prior to that was steady, with total passengers rising by nine per cent in 2019 and 2018.<sup>1</sup> This growth followed a three per cent decline in passengers in 2017 due to the impact of the Mount Agung volcanic eruption. In 2019, Indonesia was Australia's 12th largest inbound market for visitor arrivals.<sup>2</sup>

Most passengers between Australia and Indonesia travel direct, with point-to-point traffic comprising around 89 per cent of passengers travelling between the two countries. The Australia-Indonesia route is principally a leisure market, with the majority of origin/destination passengers travel to/from New South Wales, Western Australia and Victoria.

### Qantas' plans

Qantas plans to operate Sydney-Denpasar services in the Northern Winter 2022 scheduling season and upgauge selected services from B737 aircraft to A330 aircraft during periods of high demand. If Qantas' application is successful, the additional capacity will be fully utilised by 5 December 2022. A detailed outline of the proposed schedule is provided on a confidential basis at Attachment 2.

### Competition Criteria

In 2019 there were eight airlines operating direct services between Australia and Indonesia including, Batik Air Indonesia, Citilink Indonesia, Garuda Indonesia, Indonesia AirAsia, Jetstar Airways, Malindo Air, Qantas and Virgin Australia.<sup>3</sup> Qantas and Garuda Indonesia were the only full-service carriers operating direct services between the two countries, with 72 per cent of total capacity on the Australia-Indonesia route operated by low cost or mid-market carriers (refer table below, source BITRE Calendar Year 2019).

<b>Carrier</b>	<b>Total passengers to/from Indonesia</b>	<b>% of total passengers to/from Indonesia</b>
Batik Air Indonesia	82 183	2%
Citilink Indonesia <sup>4</sup>	8 659	0%
Garuda Indonesia	604 637	18%
Indonesia AirAsia	328 482	10%
Jetstar	1 537 272	45%
Malindo Air	187 174	5%
Qantas	353 225	10%
Virgin	328 039	10%
<b>Total</b>	<b>3 429 671</b>	<b>100%</b>

In addition to these direct services, established third country carriers, such as Singapore Airlines, serve the indirect market.

The Register of Available Capacity shows 172 seats are available for third-fourth freedom services on

<sup>1</sup> Source: ABS data

<sup>2</sup> Tourism Australia <https://www.tourism.australia.com/en/markets-and-stats/market-regions/south-and-south-east-asia/indonesia.html>

<sup>3</sup> Source: BITRE International Airline Activity Calendar Year 2019, [https://www.bitre.gov.au/sites/default/files/documents/international\\_airline\\_activity\\_cy2019.pdf](https://www.bitre.gov.au/sites/default/files/documents/international_airline_activity_cy2019.pdf)

<sup>4</sup> Citilink Indonesia commenced services in November 2019

the Indonesia route to/from Sydney, Melbourne, Brisbane and/or Perth. Qantas' allocation of 20,076 seats per week is largely utilised by Jetstar, operating up to 56 return services per week to/from Australia's four main gateways. Virgin Australia is allocated a total of 4,752 seats per week for third-fourth freedom services on the Indonesia route.

Qantas has demonstrated its ability to efficiently utilise capacity on the Indonesia route, with an average seat utilisation of 88.6 percent in 2019. Jetstar was the only other carrier with a higher average seat utilisation, clearly demonstrating that the Qantas Group has been more successful in filling our aircraft with passengers travelling between the two countries than any other carrier operating between Australia and Indonesia (refer table below, source BITRE).

<b>Carrier</b>	<b>Average Seat Utilisation %</b>
Batik Air Indonesia	61.4%
Citilink Indonesia	44.5%
Garuda Indonesia	75.1%
Indonesia AirAsia	83.6%
Jetstar	91.7%
Qantas	88.6%
Virgin	80.8%

The COVID-19 pandemic and subsequent flight, entry and quarantine restrictions imposed by Governments globally had a profound impact on all carriers' services on the Indonesia route.

On 18 March 2020, the Australian Government issued 'do not travel' advice to all Australians regardless of their destination and on 24 March 2020, a ban was introduced on all Australians travelling overseas.

As a result, almost all carriers suspended direct scheduled passenger services between Australia and Indonesia, with the exception of Garuda Indonesia, which continued limited services to/from Jakarta to facilitate the return of Indonesian citizens to Indonesia.

In March 2022, almost two years since the suspension of services, the Qantas Group recommenced flights between Australia and Denpasar. Jetstar restarted Melbourne-Denpasar services on 14 March, followed by flights from Sydney and Perth on 3 and 8 April 2022 respectively. Qantas resumed flights from Melbourne and Sydney to Denpasar on 14 and 15 April 2022.

Other carriers have progressively reintroduced services, with Garuda Indonesia restarting services between Australia and Denpasar from March 2022, followed by Indonesia AirAsia in May 2022, then joined by Virgin Australia and Batik Air in June 2022. Many of these carriers have not yet returned to pre-COVID capacity levels on the Australia-Indonesia route.

As travel restrictions have been lifted, demand for travel, particularly in peak periods, has rapidly recovered. Qantas' application for additional capacity intends to service this demand, providing the only full-service, widebody option by an Australian carrier, creating choice and competition for consumers on the Indonesia route.

Qantas research has shown that customers strongly prefer A330 aircraft on the Sydney-Denpasar route, with this aircraft driving high customer satisfaction and strong customer advocacy, as measured by Net Promoter Scores. This is a key product differentiation that matters for consumers. The A330 offers a larger premium cabin, with 28 lie-flat Business seats compared to 12 standard business seats on the B737, and larger seat dimensions in both cabins than B737s. A comparison of Qantas' seats dimensions in these two aircraft is provided below.

Aircraft	Business cabin		Economy cabin	
	Pitch	Width	Pitch	Width
<b>A330</b>	78" (lie-flat)	23-24"	31"	17.5"
<b>B737</b>	37"	21.5"	30"	17.2"

Tourism and trade criteria

Qantas will continue to actively promote the upgauged Sydney-Denpasar services via a range of direct and indirect channels including qantas.com, Online Travel Agents and Search Engine Marketing. We have the ability to market the services to our extensive Loyalty program membership base and to subscribers of our Flyover and Travel Insider eDMs.

Qantas provides various route service possibilities to/from regional Australia due to its strong network and connectivity, as well as links to Qantas Group domestic and international services. The 55 per cent increase in capacity between Sydney and Denpasar provides greater opportunities for connecting passengers, particularly from domestic and regional Australia, including Canberra, Coffs Harbour, Gold Coast and Hobart, as well as international destinations such as Auckland, Wellington, Los Angeles and Noumea.

The Australia-Indonesia air freight market supports a sizeable two-way trade in goods, which mainly consists of fresh produce and clothing, as well as express cargo and international air mail services. The market is currently capacity constrained.

If the application is granted, Qantas would have the ability to move at least 12 tonnes of freight per flight by upgauging to A330 aircraft between Sydney and Denpasar. Strong demand for freight is expected for the period that the widebody aircraft is planned to operate, which is anticipated to largely consist of manufactured goods and perishables. These services will also provide freight customers access to the Qantas Group's extensive domestic and international network.

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