

International Air Services Commission.

CANBERRA (by email)

Dear Commissioners

QANTAS APPLICATION FOR VARIATION – INDONESIA ROUTE.

I refer to the transfer application by Qantas Airways (Qantas) to permit code-sharing with Garuda Indonesia (Garuda). The application addresses various determinations on several city pairs between Indonesia and Australia.

This submission is made following the Commission's invitation for submissions in accordance with Section 22 of the International Air Services Commission Act (1992).

In considering the application, I encourage the Commission to address the following points:

1. The applicants have significant market power – particularly on the services operated from Jakarta. Nonstop services from Jakarta to East Coast Australia¹ are only operated by the two airlines seeking to cooperate within the proposed code-share arrangement. Garuda is currently flying a less-than-daily frequency to both Melbourne and Sydney. If Garuda is permitted to market additional flight numbers under the proposed codeshare arrangement, including a daily flight to Sydney, the airline arguably has less motivation to increase its own-operated capacity towards daily and to increase competition on the Jakarta route.
2. Indirect competitors on the route between Jakarta and East Coast Australia have very poor centrality. Centrality is a measure of the directness (usually reflected in elapsed journey time) of competing flights. Sampling online selling for competing options between Jakarta and Sydney² produces backhauls via Singapore, Kuala Lumpur, and Ho Chi Minh City, as well as several more distant points. Even the fastest of these backhaul connections (via Singapore) nearly doubles the elapsed journey time from Jakarta to Sydney. Many indirect options more than double the elapsed journey time, making the indirect options uncompetitive.³

¹ Services between Perth and Jakarta are operated by two Indonesian carriers, Air Asia Indonesia and Batik Air.

² Using Google flights for travel in November 2023.

³ Centrality. To illustrate this point, while travel via Singapore requires a significant backhaul for journey from Jakarta to East Coast Australia, Singapore falls close to the direct line from Sydney to Bangkok or Kuala Lumpur. Flights connecting in Singapore from Sydney to Bangkok would provide effective and centralised indirect

3. While Virgin Australia and Batik/Malindo Air ⁴ offer some competition to Qantas/Jetstar and Garuda between Denpasar and East Coast Australia, allowing the proposed code-shared marketing of flights operated by Garuda and Qantas from Denpasar would reduce the competitive tension between two full-service carriers flying that route.

I am happy for this submission to be placed on the public record.

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competition to nonstop flights. The lengthy backhaul from Jakarta means that this effective competition with nonstop flights is not delivered by journeys via Singapore on the route between Jakarta and Eastern Australia.

⁴ Batik and Malindo are brands within the Lion Air group.