



*Qantas faces investigation after Virgin Blue complained to the competition watchdog*

by the Singapore government.

In a continent almost the size of continental USA, but with the concentrated distribution of a population of only 20 million, 43% of all Australian domestic jet passengers (10.5 million) travel on just three flight sectors, known as the Brisbane-Melbourne-Sydney triangle. If Adelaide and Coolangatta are added in, the five top city pairs represent 56% of the 28 million passengers carried annually on the country's top 33 jet routes.

For at least another 10 years, the peak bottleneck at Sydney's Kingsford Smith Airport (KSA), with its legislated seven-hour curfew and 80 movements per hour capacity cap, will remain a key factor in the industry's future shape. This was recently enshrined by a government decision to delay a second airport for that period, to maximise government benefit from KSA's forthcoming privatisation sale. Already, the industry's nexus with KSA has been

highlighted by a three-cornered contest between Ansett, Qantas and Impulse for control of Hazelton Airlines (holders of KSA's third-largest slot allocation). The bidding battle doubled the struggling regional's share value in



a few weeks, but was slammed by the Australian Competition and Consumer Commission (ACCC) on 19 January. Qantas withdrew its bid, with its managing director designate Dixon saying: "If competition regulators are going to prevent the only major Australian-owned airline from taking part in that process, the industry in this country will be unable to keep pace and realise its full potential in a rapidly globalising world, and eventually will be relegated to 'cottage industry' status." Believing it may still sway the ACCC, Ansett extended its offer to 15 February.

#### **QANTAS GROUP**

Since listing in 1995, Qantas has improved its profitability, and airline chair Margaret Jackson says it has positioned itself as "a disciplined and robust airline ready to meet the compound effects of additional domestic competition and other specific cost increases that will combine to put pressure on profitability".

Part of that positioning, now manifested in the carrier's market share vis-à-vis its major rival, has been to strengthen and refine its international services and alliances. The past 12 months have seen: the reintroduction of services to Canada and New York; the introduction of nonstop services between Melbourne and Los Angeles; considerable strengthening of US services through an expansion of code sharing with American Airlines; boosting of UK/European flights and code sharing within the region; the take-over of Ansett New Zealand's operations by franchising the Qantas New Zealand brand to its new owners; and the aggressive development and refinement of its domestic regional feeder service networks. This last strategy has already had an effect. On 23 January *Air Transport Intelligence* reported that Virgin Blue has filed a formal complaint against Qantas, and the ACCC has alleged predatory pricing practices.

The operator's growth initiatives have included the acquisition from British Airways of seven Boeing 767-200s over and above its

**"Qantas is a disciplined and robust airline ready to meet the compound effects of domestic competition and other cost increases that will put pressure on profitability" – Qantas Chair Margaret Jackson**