AUSTRALIAN COMPETITION & CONSUMER COMMISSION

Domestic airline competition in Australia

March 2026

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

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www.accc.gov.au

Contents

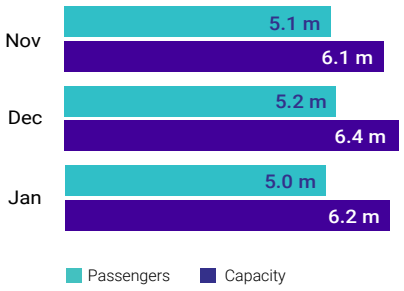
Glossary			**iii**
Key results			**iv**
Key industry insights and developments			**v**
Executive summary			**1**
1.	**Introduction**		**3**
	1.1	Government direction to monitor domestic airline services	3
2.	**Industry developments**		**4**
	2.1	Middle East conflict disrupts international travel, while jet fuel prices increase	4
	2.2	Domestic seat capacity growth continues to outpace demand	8
	2.3	The Qantas Group and Virgin Australia report mid-year growth and profitability	10
	2.4	Qantas agrees to settle class action relating to COVID-19 flight credits	13
	2.5	Strong international travel demand prompts new routes and services	13
	2.6	Government provides funding to support regional and remote airport recovery	15
	2.7	Sydney Airport Demand Management Scheme reform updates	15
3.	**Industry activity and service reliability**		**16**
	3.1	Demand peaks in late 2025 before seasonal January slowdown	16
	3.2	On-time performance improved overall, but cancellation rates varied between airlines	18
4.	**Competition and connectivity**		**21**
	4.1	The Qantas Group and Virgin Australia continue to dominate the domestic aviation market	21
	4.2	Airline connections decline in late 2025	22
5.	**Airfares and jet fuel prices**		**24**
	5.1	Average airfares followed seasonal trends over the quarter to January 2026	24
	5.2	Jet fuel prices to move away from recent lows	26
6.	**Aviation workforce challenges**		**28**
	6.1	The aviation workforce is evolving	28
	6.2	Workforce challenges amidst rising demand	30
	6.3	Policy initiatives to address workforce challenges	33

Glossary

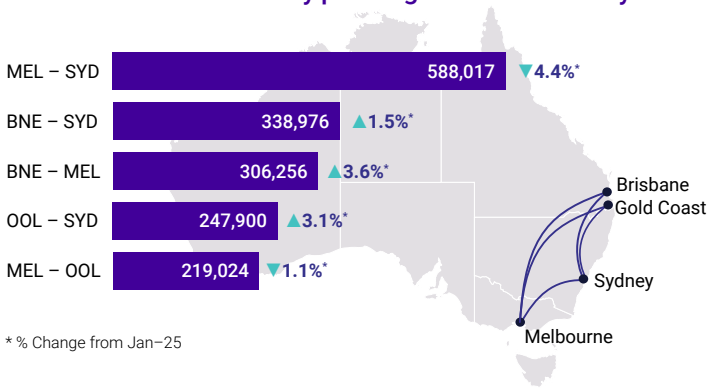
ABS	Australian Bureau of Statistics.
BITRE	Bureau of Infrastructure and Transport Research Economics.
CCA	*Competition and Consumer Act 2010* (Cth).
Full-service carrier	Airlines that provide a comprehensive range of services to passengers, including in-flight meals, checked baggage allowance and entertainment, often at higher fares compared to low-cost carriers.
Load factor	The total number of passengers as a proportion of the total number of seats flown.
Low-cost carrier	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	Routes where both airports are in Major Cities of Australia, as classified using the ABS Australian Statistical Geography Standard Edition 3 (ABS 2021 version). Refer to the Appendix for a list of routes by route type.
Qantas	Qantas domestic passenger airlines that include Qantas Domestic (including QantasLink).
The Qantas Group	Qantas domestic passenger airlines that include Qantas Domestic and Jetstar Domestic airlines.
Regional routes	Routes where at least one airport is in Inner Regional Australia or Outer Regional Australia, but not in Remote or Very Remote Australia. Classified using the ABS Australian Statistical Geography Standard Edition 3 (ABS 2021 version). Refer to the Appendix for a list of routes by route type.
Regular Public Transport (RPT)	Air passenger transport services that operate on fixed schedules. It does not include charter or other non-scheduled operations.
Remote routes	Routes where at least one airport is in Remote or Very Remote Australia, as classified using the ABS Australian Statistical Geography Standard Edition 3 (ABS 2021 version). Refer to the Appendix for a list of routes by route type.
Tigerair	Tigerair domestic passenger airlines. Tigerair was a low-cost carrier that was owned by Virgin Australia. It ceased operations in March 2020 when Virgin Australia went into voluntary administration.
Virgin Australia	Virgin Australia domestic passenger airlines that includes Virgin Australia and Virgin Australia Regional Airlines (VARA). Virgin Australia also operated Tigerair until March 2020.
Wet lease	A lease arrangement whereby a lessor provides an aircraft, including crew, maintenance and insurance to the lessee.

Key results

Passenger levels and seat capacity – November 2025 to January 2026

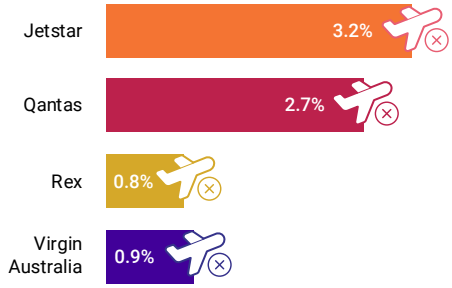


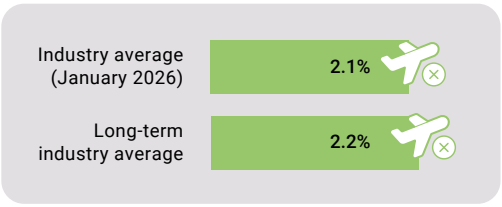
Busiest domestic routes by passenger levels – January 2026



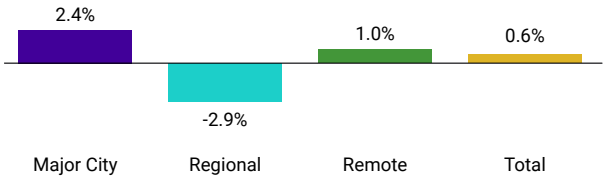
* % Change from Jan–25

Flights cancelled – January 2026

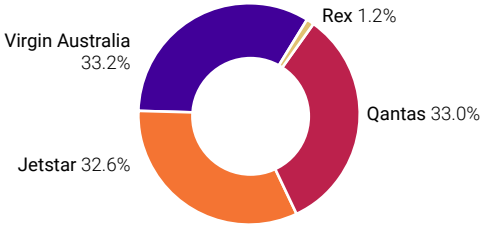




Change in real average revenue per passenger index by route type (January 2025 to January 2026)



Passenger market share as at January 2026



Changes in passengers and capacity – January 2026

Airline	Passenger % YoY	Passenger % change from 2019	Capacity % YoY	Capacity % change from 2019
Jetstar	+0.8%	+11.4%	+2.0%	+8.7%
Qantas	-2.1%	+1.0%	+1.8%	+1.0%
Rex	+1.9%	-20.8%	-2.8%	-13.0%
Virgin Australia	-1.4%	-9.3%	+2.8%	-14.8%
Industry total	**-0.9%**	**-0.1%**	**+2.0%**	**-3.3%**

Note: (1) YoY means year-on-year (January 2025 to January 2026). (2) Industry totals for passengers and seat capacity in January 2019 include Tigerair. Tigerair had approximately 8% domestic passenger market share in January 2019 but ceased operations in March 2020.

Key industry insights and developments

Middle East conflict disrupts key routes to Europe, threatens airfares

The conflict in the Middle East has disrupted operations at major aviation hubs Dubai, Doha and Abu Dhabi, leading to cancellations and rerouting. Airfares on alternative routes to Europe have increased, and while sustained conflict may affect costs over time, some airlines are partially insulated in the short-term through jet fuel hedging. Airlines must not make false or misleading statements about the reasons for any fare increases.

Capacity growth continues to outpace passenger demand

In November and December 2025, passenger volumes were elevated before decreasing in January 2026 in line with seasonal demand. Capacity growth however, outpaced passenger growth for the sixth consecutive month. In January 2026, capacity increased by 2.0% year-on-year, while passenger levels were 0.9% lower.

The Easter school holidays and ANZAC day are both expected to drive an increase in demand for leisure travel in April.

On-time performance improved over the quarter, but cancellation rates varied significantly between the airlines

Service reliability fluctuated throughout the quarter to January 2026. Virgin Australia performed strongly, cancelling just 0.9% of domestic flights in January, compared to the long-term industry average of 2.2%. Meanwhile Jetstar's on-time performance was poor, with less than 70% of flights arriving on time over the quarter, compared to the long-term industry average of 80.5%.

Real average airfares fell in line with seasonal demand, but remain higher year-on-year

Real revenue per passenger fell over the quarter to January 2026, reflecting the shift in seasonal demand away from corporate and business travel. However, year-on-year airfares increased by 4.3% in December and by 0.6% in January.

The Qantas Group and Virgin Australia reported strong mid-year financial results and growth

For the first half of 2025–26, the Qantas Group reported record underlying earnings before interest and taxes (EBIT) of $1.59 billion across its aeronautical operations and frequent flyer program. Virgin Australia reported underlying EBIT of $490 million. Both airline groups increased their earnings compared to the first half of 2024–25 by 5.4% and 11.7% respectively.

Executive summary

Recent developments in the Middle East have caused significant disruption to international aviation, with many thousands of flights cancelled and changes to established travel patterns. Airspace restrictions and intermittent closures at major hubs such as Dubai, Doha and Abu Dhabi reduced the availability of some international services. This affected passengers transiting through the region, including Australians. Airlines based in the Middle East were most directly affected by cancellations, while some Australian carriers suspended or adjusted services that relied on these hubs.

Disruption to Middle Eastern transit hubs has also shifted demand towards alternative international routes. In particular, demand has increased for services to Europe transiting through other hubs including in Asia and the United States. This has placed upward pressure on airfares on some routes, especially where capacity is constrained. Airlines have reported changes in booking patterns and indicated they are considering redeploying capacity on existing routes in response.

International jet fuel prices have increased amid heightened uncertainty in global energy markets. This reflects disruption to shipping through key transit routes such as the Strait of Hormuz. Fuel hedging arrangements mean the Qantas Group and Virgin Australia are likely to be partially insulated from short-term movements in fuel prices. However, a sustained elevation in jet fuel prices could increase airline costs and place upward pressure on international and domestic airfares over time. The ACCC is closely monitoring impacts on consumers and competition. It is important for businesses to note that while prices may change in response to demand, supply or cost conditions, they must not make false or misleading statements about the reasons for any price increases.

While international disruptions and cost uncertainty have emerged more recently, domestic aviation conditions over the preceding months largely reflected typical seasonal patterns. Demand was strong through November and December 2025 before easing in January 2026. This reflected lower holiday and event travel, while corporate travel demand remained low. Capacity growth outpaced passenger growth for the sixth consecutive month, increasing by 2.0% year-on-year in January 2026. Over the same period, passenger numbers fell by 0.9%.

Capacity growth was supported by new aircraft deliveries and fleet redeployments. The Qantas Group and Virgin Australia have indicated that capacity growth is expected to continue with further aircraft deliveries expected throughout 2026 and beyond. Despite this expansion, seat capacity remains 3.3% below 2019 levels. By contrast, passenger levels first exceeded 2019 levels in February 2024. This gap between capacity and passenger demand can place pressure on load factors, particularly in peak periods. Industry-wide load factors were high in November (84.1%) in line with strong demand when compared to the average load factor over 2025 of 81.3%.

Average airfares followed similar seasonal patterns. After peaking in October 2025, the real revenue per passenger index fell, decreasing by 17.8% over the 3 months to January 2026. This reflected reduced corporate and business travel over the holiday period. However, airfares have increased year-on-year, by 4.3% in December 2025 and 0.6% in January 2026.

Service reliability, measured by on-time arrivals and cancellation rates, fluctuated in the quarter to January 2026. Performance weakened in November 2025 before improving in December and January. In January 2026, the industry on-time arrival rate was 78.4%, below the long-term industry average of 80.5%, while the industry cancellation rate was 2.1%, which was consistent with the long-term industry average of 2.2%.

Performance varied significantly by airline over the quarter to January 2026. Virgin Australia recorded consistently low cancellation rates over the period and improved on-time performance, achieving an on-time arrival rate of 82.0% and a cancellation rate of 0.9% in January 2026. Rex's on-time arrival rate (79.2%) was consistent with the industry average, but it performed particularly well with respect

to cancellations in January (0.8%). By contrast, Jetstar recorded weaker reliability, with an on-time arrival rate of 67.7% and a cancellation rate of 3.2% in January.

Qantas's performance was mixed. Its on-time arrival rate in January (80.9%) was broadly in line with the industry long-term average. However, its cancellation rate was 2.7%, which was above the industry long-term average of 2.2%.

The Qantas Group and Virgin Australia reported strong financial results in the first half of 2025–26. The Qantas Group reported record underlying earnings before interest and tax (EBIT) of $1.59 billion, representing a 5.4% increase from the first half of 2024–25. This included $676 million from Qantas Domestic and $372 million from Jetstar Domestic. Virgin Australia reported underlying EBIT of $490 million across its operations, which was 11.7% higher than the same period a year earlier. These outcomes reflect the continued strength of the 2 major airline groups in a highly concentrated domestic airline market. This was supported by strong passenger demand and favourable fuel prices in the 2-year period to December 2025, alongside rising input costs.

Workforce constraints remain a key challenge for the aviation sector. While overall employment has returned to, or exceeded, pre-pandemic levels, shortages persist in critical roles such as pilots and licensed aircraft maintenance engineers. Recruitment and retention difficulties, high training costs and an ageing workforce continue to constrain labour supply. These issues are particularly acute in regional and remote operations and can affect operational reliability, safety outcomes, and longer-term industry growth and competition.

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. The ACCC is 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.[1]

The ACCC's monitoring and reporting on the domestic airline industry is separate but related to its enforcement of competition and consumer law under Part IV and Schedule 2 of the CCA. Competition and consumer issues in the aviation sector are one of the ACCC's enforcement and compliance priorities for 2026–27.[2] Competition issues may relate to conduct such as anti-competitive conduct on specific routes, or exclusionary practices by firms with substantial market power that impede access to key facilities or services. Potential consumer issues may include misleading or deceptive behaviour in ticket pricing and sales.

The ACCC does not generally comment publicly on investigations it is conducting into competition and consumer matters.

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 almost all regular domestic air passenger services in Australia. Under section 95ZK of the CCA, the ACCC can also compel airlines to give it information and produce documents relevant to that airline's supply of domestic air passenger transport services. On occasion we 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.

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

2 ACCC, *Compliance and enforcement priorities 2026–27*, ACCC, 19 February 2026, accessed 17 March 2026.

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

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

2. Industry developments

2.1 Middle East conflict disrupts international travel, while jet fuel prices increase

The conflict in the Middle East has caused significant disruption to international aviation, with thousands of flights cancelled and airfares rising on routes that bypass affected aviation hubs. These developments have also driven a sharp increase in jet fuel prices. While fuel hedging may partially insulate some airlines from short-term price volatility, prolonged disruption is likely to place upward pressure on airfares over time.

Airspace closures and flight cancellations disrupt global travel

On 28 February 2026, the United States and Israel launched missile strikes on Iran, prompting retaliatory action against allied interests in the Gulf. The situation subsequently escalated, involving a number of countries in the region.

These events have resulted in significant disruption to international aviation, including airspace restrictions and intermittent closures at major aviation hubs such as Dubai, Doha and Abu Dhabi. It has been reported that more than 27,000 flights globally have been cancelled since the conflict began.[5]

Thousands of Australians in or transiting through the Middle East were left stranded in the aftermath.[6] Australians stranded in or transiting through the Middle East were able to leave the region as limited commercial flights resumed, with more than 3,000 returning to Australia on direct flights and the majority of those stuck in transit eventually departing.[7] See Box 1 for information about airlines' obligations to consumers under the Australian Consumer Law.

Airlines based in the Middle East have been most directly affected by service cancellations and suspensions, including Emirates, Qatar Airways and Etihad. Of the Australian carriers, Virgin Australia cancelled flights between Australia and Doha, operated by its part owner Qatar Airways.[8] There has been limited resumption of Qatar Airways flights from 18 March 2026, however, this did not include Virgin Australia services.[9] Flights operated by Qantas' codeshare partner Emirates, connecting through its Dubai hub, have been intermittently suspended.[10]

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5 K Sexton-McGrath, 'Back-up flights, flexible stays: How Australians are navigating Middle East airspace chaos', *ABC News*, 11 March 2026, accessed 18 March 2026.

6 G Topham and C Jones, 'Thousands of flights cancelled as world faces worst travel chaos since Covid crisis', *The Guardian*, 3 March 2026, accessed 13 March 2026.

7 The Hon Penny Wong (Minister for Foreign Affairs), *Assisting Australians return home amid ongoing travel disruptions* [media release], 10 March 2026, accessed 13 March 2026.

8 D Dingwall, 'Travellers stranded as US-Iran conflict throws international flights into chaos', *ABC News*, 1 March 2026, accessed 13 March 2026.

9 E Mohamed and AFP, 'Qatar Airways announces "limited" flights to and from Doha', *Al Jazeera*, 16 March 2026, accessed 18 March 2026; Virgin Australia, *Updates on Virgin Australia Doha services* [media release], 17 March 2026, accessed 18 March 2026.

10 L Al-Rashdan, 'Emirates to resume flights after brief halt on missile threats', *Bloomberg*, 7 March 2026, accessed 13 March 2026; A de Krester and E McGrath-Cohen, 'Emirates flights to Europe jump despite Dubai strikes, travel warnings', *Australian Financial Review*, 15 March 2026, accessed 18 March 2026; C Zappone, 'Emirates flights from Australia diverted after attack on Dubai', *The Age*, 16 March 2026, accessed 18 March 2026.

Flights directly operated by Qantas have remained relatively unaffected. Qantas' London–Sydney service already transits via Singapore rather than the Middle East. Qantas also operates direct flights from Perth to London and Paris, although modified flight paths to avoid the conflict have necessitated a stop to refuel in Singapore.[11]

Like Qantas, other airlines have needed to revise their flight paths to avoid the region which may have resulted in longer flight times, greater fuel burn and likely scheduling challenges.

Box 1: Rights to remedies for cancelled travel

Whether consumers are entitled to a refund or other remedy for air services disrupted because of the Middle East conflict will depend on the individual circumstances of any booking and cancellation.

The consumer guarantees in the Australian Consumer Law are unlikely to apply if the airline delays or cancels a flight due to the actions of a third party (such as a government implementing flight restrictions). In these circumstances, whether a consumer is entitled to a refund will depend on the terms and conditions of their booking. Terms and conditions will vary between airlines.

However, airlines may still be required to provide a remedy under the consumer guarantees if the reason for the delay or cancellation is not due to the actions of a third party.

Consumers should always contact their airline in the first instance to understand what their options are. If a consumer cancels their booking before their air service is cancelled by the airline, this could limit the consumer's ability to obtain a refund or credit. In these cases, the consumer guarantees will not apply, and the available remedy will depend on the terms and conditions of the booking.

Consumers should review the terms and conditions of their booking to understand their entitlements to a refund or other remedy if they choose to cancel the booking, or the booking can't proceed due to government flight restrictions (sometimes found in a 'force majeure' clause).

More information about travel delays and cancellations is available on the ACCC's website.

Demand has increased for alternative transit routes

Many Middle Eastern hubs, including Dubai, Doha and Abu Dhabi, play a central role in Australian long-haul travel, particularly for services to Europe. Even prior to the launch of Virgin Australia's services to Doha following its partnership with Qatar Airways, the ACCC was advised that approximately two-thirds of passenger traffic between Australia and Europe transited via the Middle East.[12] Reduced availability of flights connecting through these hubs has disrupted established travel patterns and reduced effective capacity on some international routes. As a result, passengers have increasingly sought alternative routings that do not rely on transit points in the Middle East.

Demand has shifted towards services transiting through other international hubs in Asia and the United States, placing upward pressure on airfares on some of these routes, particularly where capacity is constrained.[13] These effects have been most evident on long-haul services to Europe,

11 Qantas Group, *Travel updates*, Qantas website, 12 March 2026, accessed 13 March 2026.

12 ACCC, *Final determination with respect to the application for authorisation by Virgin Australia and Qatar Airways*, ACCC, Australian Government, 28 March 2025, accessed 13 March 2026, p 10.

13 A Bowles, 'How the Middle East war and the cost of fuel is sending airfares skyward', *ABC News*, 11 March 2026, accessed 13 March 2026.

where Middle Eastern hubs typically account for a significant share of one-stop connections from Australia.

Airlines have reported changes in booking patterns in response to these developments. For example, Qantas has indicated that bookings for travel between Australia and Europe from April to June inclusive have increased in recent weeks, with a greater proportion of passengers travelling via Asian hubs, the United States and Johannesburg through its partner network. Qantas has also stated that it is exploring options to redeploy capacity on existing routes to better respond to changes in demand over the coming months.[14]

Airfares between Australia and Europe have reportedly spiked in recent weeks amid increased demand for routes avoiding Middle Eastern airspace. For example, Cathay Pacific was reported to be selling economy fares on Sydney–London for over A$3,000.[15] Economy fares on other routes have also risen sharply, including prices of up to A$5,500 for a Sydney–Paris flight with Turkish Airlines and around A$11,000 for a one-way Sydney–Frankfurt economy ticket with Singapore Airlines.[16]

Qantas has also said airfares for flights to and from Europe, including Perth–London, Perth–Paris and services via Singapore, between April and June have increased. This is due to those flights being more than 90% full in March, which is approximately 15 percentage points higher than normal for this time of year.[17]

Hedging is helping to insulate some airlines from higher jet fuel prices in the short-term

Figure 1 shows daily Brent crude oil and jet fuel prices from 2 January to 16 March 2026. Prices from US Energy Information and Administration are reported for weekdays only.

The price per barrel of Brent crude oil and jet fuel has fluctuated since 2 January, rising sharply following the 28 February strikes. Price movements reflect disruption and uncertainty in global energy markets, including reduced shipping through the Strait of Hormuz, a critical transit route for around one-fifth of the world's oil and gas, and jet fuel.[18]

The spread between Brent crude oil and jet fuel prices have also increased since late February, likely reflecting a rise in the jet fuel refining margin. The refining margin represents the cost associated with converting crude oil into jet fuel.

14 A de Krester, 'Qantas lifts fares as bookings surge, finds more planes to Europe', *Australian Financial Review*, 10 March 2026, accessed 13 March 2026.

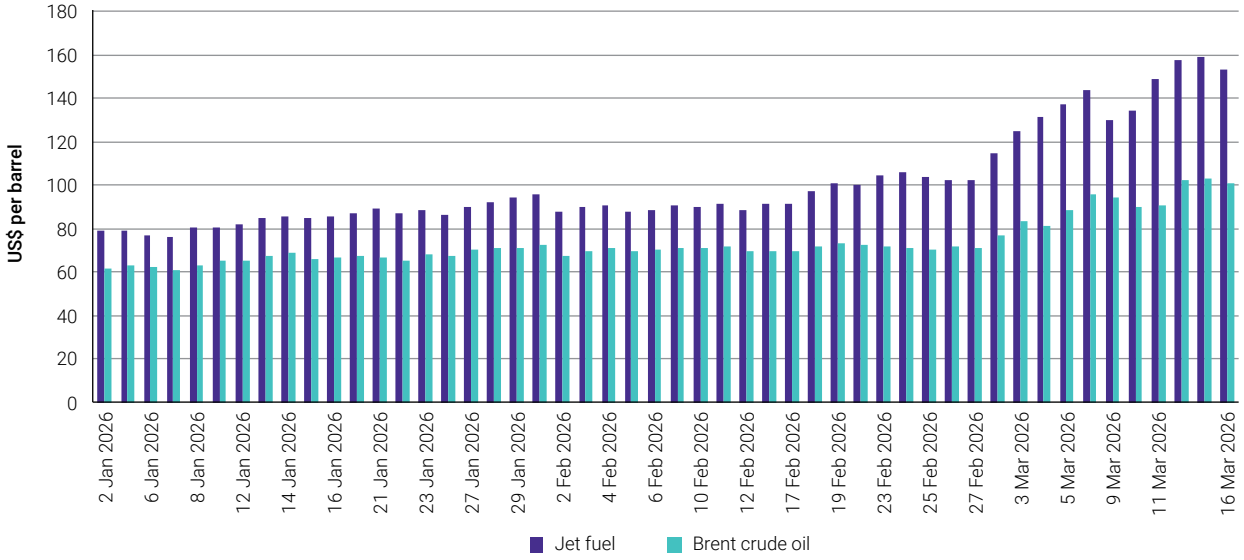
15 L Ittimani, 'More airlines hike flight prices as Iran war continues to disrupt oil supply', *The Guardian*, 12 March 2026, accessed 13 March 2026.

16 T B Marcus, 'Some prices rise 300% as Middle East conflict continues – here's how to fly to Europe now', *Cruise Passenger,* 16 March 2026, accessed 17 March 2026.

17 J Nelson, Qantas raises international fares as fuel shocks continue', *Australian Aviation*, 11 March 2026, accessed 18 March 2026.

18 R Ironside, 'Travellers stranded by middle East flight chaos face soaring costs', *The Australian*, 3 March 2026, accessed 13 March 2026; KarryOn, 'Airfares and fuel set to rise as oil prices surge amid Strait of Hormuz crisis', *KarryOn*, 3 March 2026, accessed 13 March 2026.

Figure 1: Daily Brent crude oil and jet fuel prices (US$), 2 January 2026 to 16 March 2026



Source: US Energy Information Administration data.

Note: (1) All values are in nominal terms. (2) Figures have been shown as US$ per barrel. (3) Brent crude oil and jet fuel prices are reported for weekdays only.

Jet fuel is a key cost item for airlines, typically accounting for around 15 to 25% of operating costs, although this can be higher at times of elevated prices. The proportion of an airline's costs attributed to fuel will vary by airline and route. Fuel costs generally represent a higher share of total costs on long-haul international services compared with shorter domestic routes.

Major Australian airlines typically hedge a proportion of their fuel requirements by locking in prices for future delivery. Hedging arrangements may cover exposure to Brent crude oil prices and, in some cases, refining margins. These arrangements provide airlines with some protection from short-term movements in fuel prices.

As a result, these airlines are likely to be partially insulated from short-term increases in jet fuel prices, particularly where both crude oil prices and refining margins are hedged. However, if jet fuel prices remain elevated for a sustained period, airline costs may increase and could place upward pressure on international and domestic airfares over time.

Virgin Australia has disclosed that it hedged 85% of its fuel exposure and 62% of its refining margin over the same period.[19] The Qantas Group has disclosed that it hedged 81% of its Brent crude oil exposure for the second half of the 2025–26 financial year, but with no reported hedging of refining margins.[20] Hedging is less commonly used, if at all, by smaller Australian airlines.

Hedging profiles varied among non-Australian airlines. For example, Air New Zealand hedged 83% of its fuel exposure for the second half of 2025–26, and 46% for the first half of 2026–27. Meanwhile, Cathay Pacific has hedged 30% of its fuel exposure for the second half of 2025–26, while China Eastern Airlines does not currently undertake any fuel hedging.[21]

Against this backdrop, some airlines have signalled fare adjustments to offset higher fuel costs. Qantas has indicated that sustained increases in jet fuel prices may place upward pressure on

19 Virgin Australia, *Virgin Australia delivers on Prospectus forecasts, recording strong performance in revenue and earnings in FY25* [PDF 218KB] [media release], Virgin Australia, 29 August 2025, accessed 13 March 2026.

20 Qantas Group, *1H26 Results Investor Presentation* [PDF 4.7MB], Qantas Group, 26 February 2026, accessed 13 March 2026.

21 Thomson Reuters, 'Factbox-How airlines have hedged against fuel price increases', *Investing.com*, 12 March 2026, accessed 13 March 2026.

international airfares, reflecting the importance of fuel as a major operating expense.[22] Similarly, Air New Zealand has announced targeted fare increases across parts of its network, including modest rises on domestic and short-haul routes and larger adjustments on long-haul services where fuel represents a greater share of operating costs.[23]

The ACCC is closely monitoring impacts to consumers and competition, including changes in Brent crude oil and jet fuel prices. Businesses, including airlines, may increase prices in response to changes in demand, supply or input costs. However, they must not make false or misleading statements to customers about the reasons for any price increases.

Should the conflict continue over a longer period, such as to the end of the year or beyond, there could be greater implications for the aviation industry and broader economy.

2.2 Domestic seat capacity growth continues to outpace demand

The peak summer travel period, encompassing Christmas, New Year, and the school holidays, consistently drives strong leisure demand. Domestic passenger volumes remained elevated in November 2025, continued into December ahead of the festive season as many travelled for family and social gatherings, and then eased in January 2026 as school holidays wound down and corporate travel demand remained low.

Several major sporting events held between November 2025 and January 2026 further elevated travel demand during this period. These included the Ashes series cricket matches held across Australia between November 2025 and January 2026 and the Sydney to Hobart Yacht Race in late December 2025. Major concerts such as performances by Lady Gaga, AC/DC, and a sold-out show by the Foo Fighters in Launceston on 24 January 2026,[24] also attracted significant interstate travel. To accommodate fans attending the Foo Fighters concert, Virgin Australia, Qantas and Jetstar all increased services between 23 and 26 January 2026. Virgin Australia added about 1,700 seats, while Qantas and Jetstar together offered an extra 3,000 seats through additional flights and larger aircraft.[25]

In November and December 2025, most major airports recorded increased passenger volumes year-on-year while volumes remained steady for January 2026 year-on-year. In November, the highest growth was recorded at the Gold Coast (up 7.3%) and Sunshine Coast (up 4.4%). Adelaide and Perth airports experienced the highest growth in December 2025, rising year-on-year by 6.0% and 5.4% respectively.

The Qantas Group and Virgin Australia both responded to the surge in demand by increasing seat capacity over the quarter to January 2026. January 2026 marked the sixth consecutive month in which seat capacity growth exceeded passenger volume growth. By contrast, during the first half of 2025, capacity was either lower or stagnant compared to the same period a year earlier. Despite the recent expansion, overall seat capacity remains 3.3% below pre-pandemic levels in January 2026 compared to January 2019. Conversely, passenger levels, first exceeded pre-pandemic levels in February 2024.

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22 SBS News, 'Qantas hikes international fares as war sends fuel costs soaring', *SBS News*, 10 March 2026, accessed 13 March 2026; A de Kretser, 'Qantas lifts fares as bookings surge, finds more planes to Europe', *Australian Financial Review*, 10 March 2026, accessed 13 March 2026.

23 C Zappone, 'Qantas hikes fares, blames jet fuel prices linked to Iran war', *The Age*, 10 March 2026, accessed 13 March 2026.

24 Corporate Keys, 'Melbourne Airport shatters records as December becomes busiest month ever', *Corporate Keys*, 15 January 2026, accessed 5 March 2026.

25 Pulse Tasmania, 'Foo Fighters concert to smash Launceston Airport passenger record', *Pulse Tasmania*, 20 December 2025, accessed 5 March 2026.

The slower recovery of capacity levels can put pressure on load factors, particularly during peak periods. In November 2025, Jetstar recorded a load factor of 91.2%, followed by Virgin Australia at 88.1% and Qantas at 78.1%. As a specialist regional airline, Rex recorded a lower load factor of 58.8%. For Jetstar, the November 2025 load factor was the highest recorded for that month since November 2019. As a low cost-carrier, Jetstar tends to aim for higher load factors to maximise profitability and offset lower fares.

Fleet renewal drives capacity growth for major airlines, while Rex rebuilds

Both the Qantas Group and Virgin Australia commenced services with new aircraft during the quarter. In the first half of 2025–26, the Qantas Group received 6 new aircraft, including Airbus A321XLRs that commenced services in September 2025. Further deliveries are expected to progressively replace older Boeing 737 aircraft from late 2026.

QantasLink added mid-life Airbus A320 and A319 aircraft, driving 10% capacity growth across intra-Western Australia. In addition, the redeployment of Jetstar Asia's A320 aircraft was completed in December 2025, enabling the return of leased aircraft and further capacity growth.[26]

Virgin Australia also continued its fleet renewal in the first half of 2025–26, taking delivery of 6 new Boeing 737-8 (MAX) aircraft. This brought its total Boeing 737-8 (MAX) fleet to 14. An additional 12 Boeing 737-8 (MAX) aircraft are expected to be delivered over the next year. Virgin Australia, through its Perth-based regional arm Virgin Airlines Regional Airlines (VARA), is also modernising its regional fleet, replacing older Fokker F100s with Embraer E190-E2 aircraft. In the first half of 2025–26, 2 Embraer E190-E2 aircraft were delivered, with 2 more due in the second half. Virgin Australia's total fleet is projected to reach 108 aircraft by 30 June 2026, in addition to 7 domestic aircraft wet-leased from partner airlines.[27]

Meanwhile, Rex is focused on restoring capacity on existing routes that had reduced frequency during its voluntary administration period. Rex currently operates approximately 30 aircraft with plans to bring its fleet fully back into service over time to 44 aircraft.[28]

Airline promotions and new offerings

Recent developments in Australia's domestic airline market suggest an increase use of promotional pricing and the expansion of fare product offerings by the major airlines. Qantas has offered sales on selected routes, including its largest domestic sale in more than five years, covering economy and business fares across 60 destinations for travel between 14 October and 20 December 2026. Virgin Australia has similarly offered sales on select domestic routes between 1 April and 20 December 2026.

Qantas has also launched Economy Plus, which is comparable to Virgin Australia's Economy X. Both offer ancillary features such as additional legroom and priority services at mid-range price points. These offerings expand the range of travel options available to passengers while enabling airlines to better segment demand and generate additional revenue from travellers willing to pay for enhanced comfort or priority services. This trend also suggests continued demand for higher-value leisure travel and for premium features at price points below traditional business class fares.

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26 Qantas Group, *Qantas Group delivers strong 1H26 result as fleet expands and unveils major frequent flyer improvements* [media release], Qantas Group, 26 February 2026, accessed 5 March 2026.

27 Virgin Australia, *Virgin Australia delivers strong results with underlying EBIT up 11.7% in 1HFY26* [PDF 219KB] [media release], Virgin Australia, 27 February 2026, accessed 5 March 2026.

28 Rural and Regional Affairs and Transport Estimates Committee, Official Committee Hansard – Estimates [transcript], 9 February 2026, accessed 5 March 2026.

2.3 The Qantas Group and Virgin Australia report mid-year growth and profitability

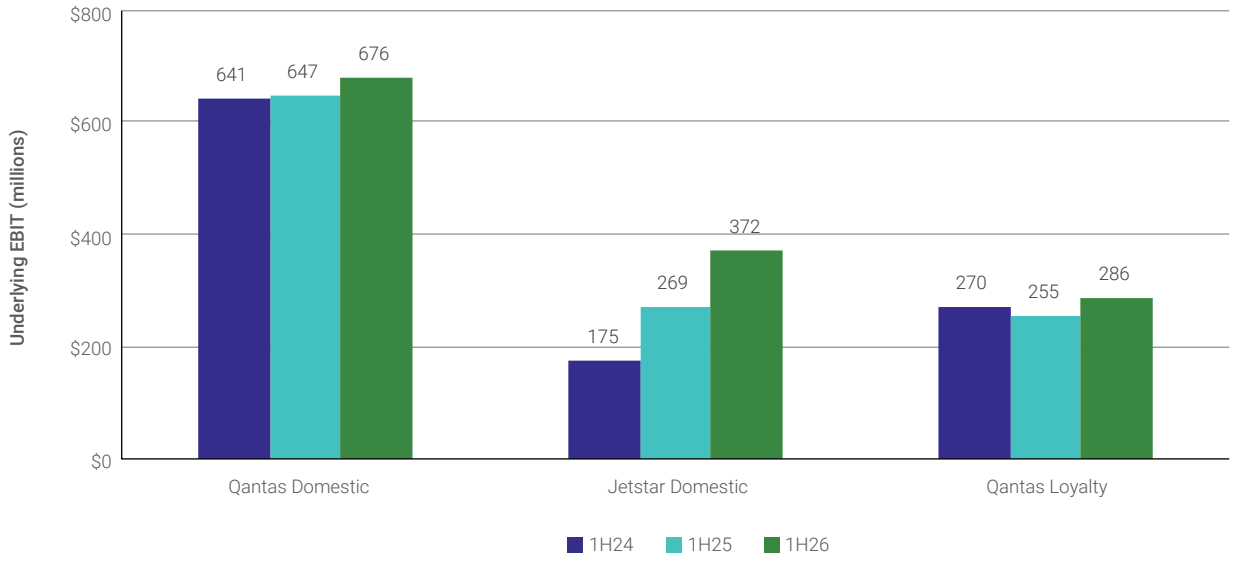
The Qantas Group and Virgin Australia both reported strong financial performance and growth in the first half of 2025–26 (H1 2025–26). As the 2 largest domestic airline groups, these results reflect a continuation of strong passenger demand and favourable operating conditions in the domestic aviation market. First half performance is typically stronger than the second half, consistent with seasonal travel patterns.

The Qantas Group

The Qantas Group[29] reported record underlying earnings before interest and taxes (EBIT) of $1.59 billion, an increase of 5.4% from H1 2024–25.[30] The Qantas Group also reported a statutory profit after tax of $925 million, which is consistent with H1 2024–25.[31]

Figure 2 shows the underlying EBIT for Qantas Domestic, Jetstar Domestic and Qantas' frequent flyer division (Qantas Loyalty).

Figure 2: Underlying EBIT by select business segments, the Qantas Group – H1 2023–24, H1 2024–25 and H1 2025–26



Source: Qantas FY24, FY25, and FY26 Half Year results.
Note: (1) All values are in nominal terms. (2) Figures have been rounded to the nearest A$ million unless stated otherwise.

29 For the analysis in this section, the Qantas Group comprises of its domestic and international aeronautical operations, and frequent flyer program.

30 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 8.

31 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 2.

Qantas Domestic reported underlying EBIT of $676 million (up 4.5% from H1 2024–25).[32] Its low-cost counterpart, Jetstar Domestic, reported a record underlying EBIT of $372 million (a 38.3% increase from H1 2024–25).[33] The Qantas Group's financial performance was further supported by the robustness of its frequent flyer segment, Qantas Loyalty, which reported record underlying EBIT of $286 million (up 12.2% from H1 2024–25).[34]

Jetstar Domestic's operating profit margin[35] has grown rapidly over the last 3 corresponding half years – from 13% in H1 2023–24, 18% in H1 2024–25, and 22% in H1 2025–26.[36] Qantas Domestic's operating profit margin was more stable at 16.1% in H1 2025–26, the same as its operating margin in H1 2024–25. Qantas Loyalty's operating margin decreased slightly from 21.7% in H1 2024–25 to 20.4% in H1 2025–26.

The financial performance of Qantas Domestic reflected strong demand from premium leisure travellers, small and medium enterprises and the resources sector. Qantas Domestic indicated its performance was partly offset by rising costs, including airport and security charges, and costs associated with its fleet transition and 'entry into service'.[37]

Jetstar Domestic's profitability and capacity growth over the half year were driven by strong leisure demand in a price-sensitive environment, growth in ancillary revenue, and additional capacity from its new A320neo and A321LR aircraft as well as redeployment of Jetstar Asia aircraft.[38]

The Qantas Group indicated that the favourable fuel price environment particularly over the past 2 years has offset some of its rising costs.[39]

The Qantas Group indicated increased capacity across its aeronautical business over the next period. Qantas Domestic capacity has been forecast to grow by 4% in the second half (H2) of 2025–26 and 4% in quarter 1 (Q1) of 2026–27, compared to the prior corresponding period. Jetstar Domestic capacity has also been forecast to grow by 4% in H2 2025–26, and 3% in Q1 2026–27.

Virgin Australia

Virgin Australia reported underlying EBIT of $490 million across its whole operations including its domestic, international, and frequent flyer program.[40] This represents an increase of 11.7% from H1 2024–25. Virgin Australia also reported a statutory profit after tax of $341 million, a decrease of 27.9% from H1 2024–25.

Figure 3 shows underlying EBIT for Virgin Australia's domestic and international airline business, and its frequent flyer program Velocity, for H1 2023–24, H1 2024–25, and H1 2025–26.

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32 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 11.

33 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 6; Qantas Group, *Qantas Group HY25 Appendix 4D and Interim Financial Report*, Qantas Group, 27 February 2025, accessed 10 March 2026, p 6.

34 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 11.

35 Qantas Group's operating profit margin is calculated as underlying EBIT/Total revenue.

36 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 13; Qantas Group, *Qantas Group HY25 Appendix 4D and Interim Financial Report*, Qantas Group, 27 February 2025, accessed 10 March 2026, p 13.

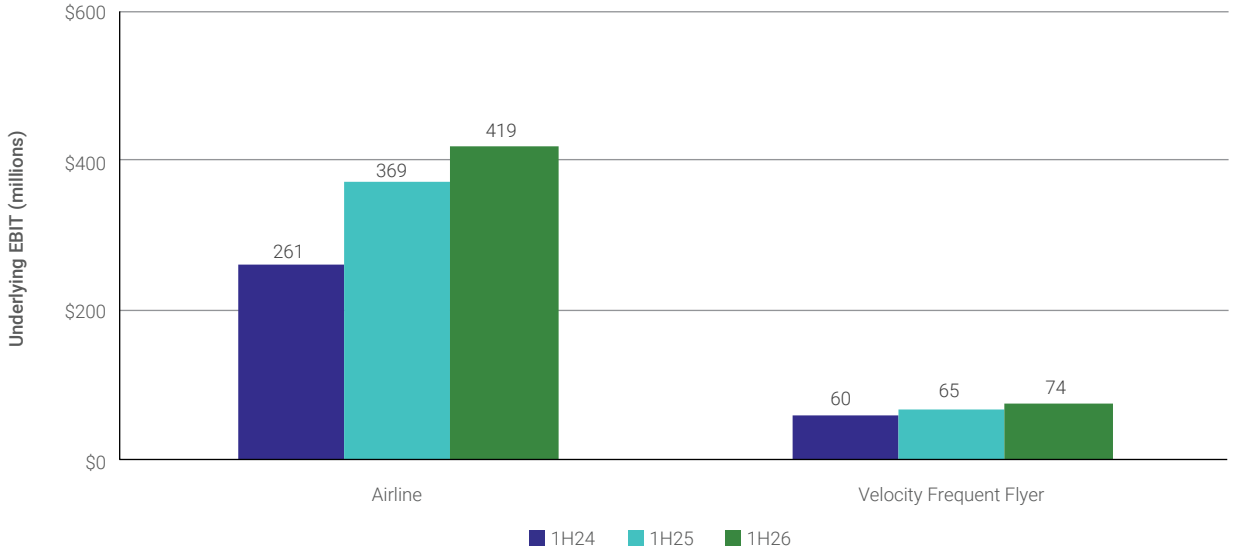
37 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 6.

38 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 13; Qantas Group, *Qantas Group delivers strong 1H26 result as fleet expands and unveils major frequent flyer improvements* [media release], Qantas Group, 26 February 2026, accessed 10 March 2026.

39 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 9.

40 Virgin Australia, *HY26 Appendix 4D and Interim Financial Report*, Virgin Australia, 27 February 2026, accessed 9 March 2026.

Figure 3: Underlying EBIT by select business segments, Virgin Australia Group – H1 2023–24, H1 2024–25, H1 2025–26



Source: Virgin Australia HY26 Financial Results. Virgin Australia Prospectus.

Note: (1) 'Airline' segment comprises Virgin Australia's domestic and international RPT businesses, charter business, and freight business. (2) Virgin Australia does not currently report figures separately for these business segments. (3) All values are in nominal terms. (4) Figures have been rounded to the nearest A$ million unless stated otherwise.

Virgin Australia's airline business (domestic and international)[41] reported underlying EBIT of $419 million in H1 2025–26, an increase of 13.5% on H1 2024–25.

Velocity reported underlying EBIT of $74 million, which represents an increase of 14.8% from H1 2024–25.

Virgin Australia's EBIT margin[42] for its whole operations has increased steadily over the past 3 years – 12.1% in H1 2023–24, 14.4% in H1 2024–25, and 14.8% in H1 2025–26. Similarly, Velocity has reported increasing EBIT margins, 29.3% in H1 2024–25 to 30.7% in H1 2025–26.

Virgin Australia attributed its profitability to strong customer demand, especially leisure due to event travel. Virgin Australia continued to highlight its 'Transformation Program' comprising of a number of commercial, operational/fleet and Velocity initiatives, which it stated is critical to the delivery of sustainable earnings growth and offsetting industry wide inflation.[43]

Similar to the Qantas Group, Virgin Australia has flagged increasing costs for its business, including airport charges and aircraft maintenance. It has also acknowledged the favourable fuel price environment has helped offset some of these rising costs.[44]

Virgin Australia stated it will remain 'disciplined' with its domestic capacity growth, forecasting a 2–3% increase in capacity in H2 2025–26 and 3% in Q1 2026–27.[45]

41 Virgin Australia does not report separate financial results for its domestic and international operations.

42 Virgin Australia's EBIT margin is underlying EBIT/underlying revenue.

43 Virgin Australia, *1HFY26 Financial Results Investor Presentation*, Virgin Australia, 27 February 2026, accessed 5 March 2026, pp 8, 10.

44 Virgin Australia, *Virgin Australia delivers strong results with underlying EBIT up 11.7% in 1HFY26* [PDF 219KB] [media release], Virgin Australia, 27 February 2026, accessed 5 March 2026.

45 Virgin Australia, *Virgin Australia delivers strong results with underlying EBIT up 11.7% in 1HFY26* [PDF 219KB] [media release], Virgin Australia, 27 February 2026, accessed 5 March 2026.

2.4 Qantas agrees to settle class action relating to COVID-19 flight credits

Qantas has agreed to settle a class action related to COVID-19 flight credits. The class action relates to allegations that the carrier breached its contractual obligations by providing flight credits instead of refunds for flights which were cancelled during the pandemic.

Under the terms of the settlement agreement, which is subject to approval by the Federal Court of Australia, Qantas will pay $105 million to affected customers with no admission of liability. This amount is expected to be paid to affected customers by the end of this year.[46]

2.5 Strong international travel demand prompts new routes and services

Prior to the recent Middle East conflict, increased demand for international travel was felt across the sector, with airports reporting record passenger numbers in 2025 and airlines responding to the increased demand through new routes and increased services in 2026. While December is usually a strong period with respect to international travel demand, international arrivals were up 7.7% in December 2025 compared to December 2024. Departures were also up 8.4%, reaching a historic high of 2.5 million travellers.[47]

Many Australian airports experienced record international passenger levels in 2025, particularly in the later months of the year. Sydney Airport reported its busiest calendar year and quarter, with 17.2 million international passengers in 2025 and 4.6 million for the final quarter.[48] Melbourne Airport reported its most international passengers in one month for December 2025, with 6.5% more international travellers compared to December 2024.[49] This record was broken again in January 2026, with 9 January 2026 boasting the most passengers through Melbourne Airport's international terminal.[50] Gold Coast Airport reported a record December in 2025, attributing this to increased services to New Zealand.[51] Meanwhile, some regional airports also reported strong activity. Newcastle Airport reported a record final quarter, which it partially attributed to a new terminal and new direct flights including Bali–Newcastle. [52]

New Zealand, Indonesia and Japan were the 3 most travelled destinations for Australians in 2025. International airlines increased capacity to these destinations. It signals the changing profile of travel to and from Australia, as travellers opt for short-haul international routes for leisure travel in favour of destinations such as the United States and Europe.[53] Qantas launched Auckland–Perth and a

46 Qantas Group, *Qantas settles flight credit class action* [media release], Qantas Group, 13 March 2026, accessed 16 March 2026; D Taylor, 'Qantas COVID pandemic flight credits could be on their way to customers this year', *ABC News*, 13 March 2026, accessed 16 March 2026.

47 ABS (December 2025) Overseas arrivals and departures, Australia, ABS website, accessed 11 March 2026.

48 Sydney Airport, *Sydney Airport Traffic and Operational Performance Q4 2025* [media release], Sydney Airport, 4 February 2026, accessed 11 March 2026.

49 Melbourne Airport, *Melbourne Airport records busiest month ever in December* [media release], Melbourne Airport, 13 January 2026, accessed 11 March 2026.

50 Melbourne Airport, *International records tumble at Melbourne Airport in January* [media release], Melbourne Airport, 16 February 2026, accessed 11 March 2026.

51 KarryOn, 'Gold Coast Airport smashes records as Trans-Tasman and domestic travel hit all-time December highs', *KarryOn*, 15 January 2026, accessed 11 March 2026.

52 Newcastle Airport, *Newcastle Airport achieves record quarter as international growth accelerates* [media release], Newcastle Airport, 30 January 2026, accessed 11 March 2026.

53 ABS (December 2025) Overseas arrivals and departures, Australia, ABS website, accessed 11 March 2026

seasonal Sapporo (Japan)–Sydney service in December 2025,[54] with the Sapporo–Sydney service expanding from 3 to 5 services per week for the 2026–27 season.[55] Air New Zealand announced additional capacity on Brisbane to New Zealand routes, in addition to a new Brisbane–Queenstown service,[56] potentially in response to increased competition from Qantas and Jetstar for trans-Tasman services.[57] Virgin Australia also launched a new direct Bali–Canberra service from June 2026.[58]

Consistent with the demand for short-haul international routes, less Australians have been travelling to the United States, however in December 2025 there was an increase in the number of travellers from the United States arriving in Australia.[59] This has prompted new route and increased service announcements, particularly for seasonal operations. Melbourne–Los Angeles and Brisbane–Los Angeles are now both serviced by 3 airlines during peak periods. Additionally, United Airlines introduced seasonal services on the previously unserved Adelaide–San Francisco route in December 2025.[60]

Airlines have also announced new services on routes with limited or no competition:

- Jetstar is launching direct Colombo–Melbourne services from August 2026.[61] SriLankan Airlines currently provides the only direct service.
- China Southern Airlines introduced Darwin–Guangzhou flights in December 2025, the first direct flights to China from the Northern Territory since the COVID-19 pandemic.[62]

The return of flights to China was a welcome update for passengers using Darwin Airport. However, AirAsia's recently announced exit from Darwin routes to Bali and Kuala Lumpur has reduced access to international travel for the Northern Territory.[63]

54 Qantas Group, *One hop to the snow aboard the Flying Kangaroo* [media release], Qantas Group, 20 January 2026, accessed 11 March 2026; Qantas Group, *Qantas expands Perth hub with new direct Johannesburg and Auckland routes* [media release], Qantas Group, 7 December 2025, accessed 11 March 2026.

55 Qantas Group, *Qantas doubles capacity on popular Sydney–Sapporo service to meet demand* [media release], Qantas Group, 30 January 2026, accessed 11 March 2026.

56 Brisbane Airport, *Air New Zealand ramps up Brisbane to New Zealand route* [media release], Brisbane Airport, 11 December 2025, accessed 11 March 2026.

57 Jetstar, *Jetstar and Qantas ramp up New Zealand domestic and trans-Tasman flying* [media release], Jetstar, accessed 11 March 2026.

58 Virgin Australia (2026) *Virgin Australia launches its first international service from nation's capital* [media release], Virgin Australia, 10 September 2025, accessed 11 March 2026.

59 ABS (December 2025) Overseas arrivals and departures, Australia, ABS website, accessed 11 March 2026.

60 Delta Air Lines, *G'Day, Melbourne! Delta introduces nonstop service from Los Angeles* [media release], Delta Air Lines, 3 February 2025, accessed 11 March 2026; *Adelaide Airport, United Airlines touches down in Adelaide, marking the first ever direct flights from the USA* [PDF 115KB] [media release], Adelaide Airport, 13 December 2025, accessed 11 March 2026.

61 Jetstar, *Jetstar to launch Australia's only low-cost direct flights to Sri Lanka, with fares from just $315^* [media release], Jetstar, 8 December 2025, accessed 11 March 2026.

62 M Garrick, 'China Southern Airlines starts flying between Darwin and Guangzhou', *ABC News*, 22 December 2025, accessed 11 March 2026.

63 AirAsia, *AirAsia strengthens Australian network; New routes and increased frequencies to connect more Australians to Asia and beyond* [media release], AirAsia, 3 March 2026, accessed 11 March 2026.

2.6 Government provides funding to support regional and remote airport recovery

In February 2026, Minister for Infrastructure, Transport, Regional Development and Local Government, Catherine King, announced the implementation of the Regional and Remote Airport Support Program.[64] Between 4 February 2026 and 17 March 2026, operators of regional and remote airports that were owed money by Rex Airlines when it entered voluntary administration could apply to receive financial relief payments.[65] A total of $5 million will be made available for the program over 2025–26.

The program is intended to help address the financial impact of unpaid claims on regional and remote airports, many of which are run by local councils. The program is also intended to reduce the likelihood of airport service levels declining, and ensure residents and ratepayers are not impacted.

The program was initially announced in November 2025, alongside the Minister's statement outlining the government's financial support for Air T's acquisition of Rex.[66]

2.7 Sydney Airport Demand Management Scheme reform updates

On the 26 October 2025, the new Sydney Airport Demand Management Scheme legislation came into effect. Since then, the Minister for Infrastructure, Transport, Regional Development and Local Government (the Minister) has appointed an independent chair and 3 independent members to the Compliance Committee for an initial period of 3 years. The new Compliance Committee will report to the Minister on the effectiveness of the new compliance and enforcement tools and on high-risk, non-compliant behaviours.

The Sydney Airport slot manager has also published its first time slot use data for the first half of the Northern Winter season, that is the period from 26 October 2025 to 9 January 2026. The Slot Manager is obligated by section 47 of the Sydney Airport Demand Management Regulations 2025 to publish information relevant to slot utilisation at Sydney Airport and airline operators' compliance with the requirements of the Act. This information should be published within 40 business days of the mid and end of a season.

64 The Hon Catherine King MP (Minister for Infrastructure, Transport, Regional Development and Local Government), *Funding now available for regional and remote airports impacted by Rex voluntary administration* [media release], 4 February 2026, accessed 4 March 2026.

65 DITRDCSA, *Regional and remote aviation*, DITRDCSA website, n.d., accessed 4 March 2026.

66 The Hon Catherine King MP (Minister for Infrastructure, Transport, Regional Development and Local Government), *Australian Government supporting Air T's bid to acquire Rex* [media release], 4 November 2025, accessed 4 March 2026.

3. Industry activity and service reliability

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

The Qantas Group (comprising Qantas and Jetstar), Rex and Virgin Australia supplied the ACCC monthly passenger and seat capacity data up to January 2026 to inform our analysis in section 3.1. Historical data also includes that for Tigerair (until June 2020) and Bonza (between February 2023 and March 2024).

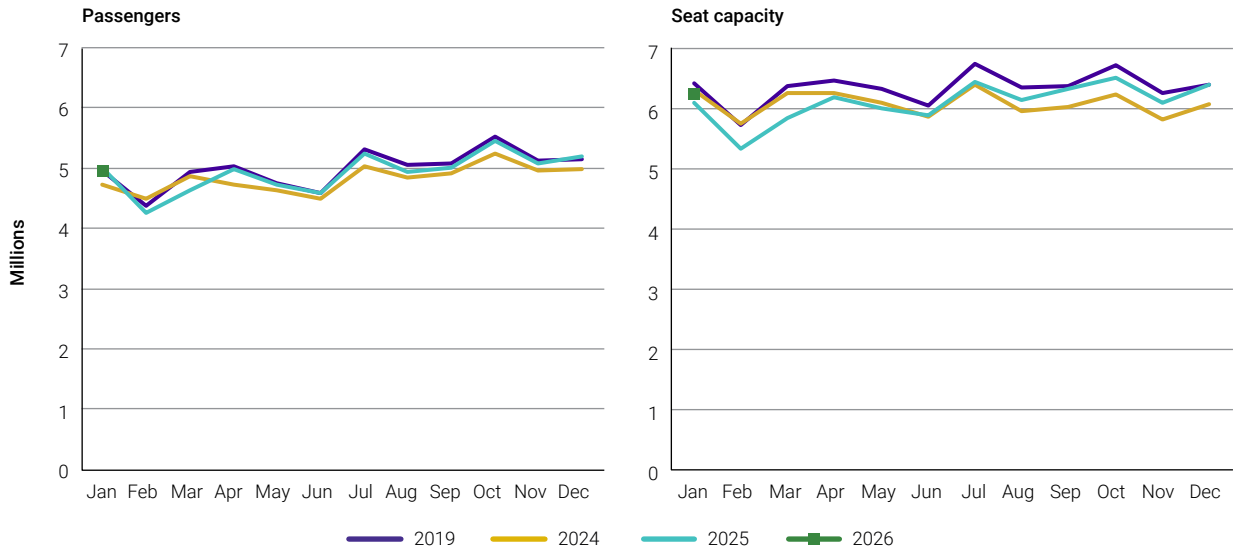
Section 3.2 includes analysis of cancellation rates and on-time performance using Bureau of Infrastructure and Transport Research Economics (BITRE) data up to January 2026.

3.1 Demand peaks in late 2025 before seasonal January slowdown

The end of the calendar year is generally characterised by heightened leisure demand in the lead-up to Christmas. Following an exceptional October, passenger demand in November and December 2025 dipped in line with seasonal trends but remained stronger year-on-year (see Figure 4).

Passenger volumes generally fall throughout January as leisure travel demand eases, coinciding with a reduction in corporate travel from mid-December.

Figure 4: Monthly passenger levels and seat capacity – 2019, 2024, 2025 and 2026



Source: Data collected by the ACCC from Bonza (February 2023 to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

Domestic airlines carried close to 5.0 million domestic passengers in January 2026. This was slightly lower than January 2025 levels (-0.9%), and consistent with 2019 levels (-0.1%).

Prior to this, in December 2025 domestic airlines carried 5.2 million passengers. This exceeded December 2024 levels by 4.1% and 2019 levels by 1.0%. In particular, Jetstar's passenger volumes were 7.1% higher than the year prior. Rex's passenger volumes increased by 5.1% year-on-year followed by Qantas (+3.2%) and Virgin Australia (+2.4%).

In January 2026, over 6.2 million seats were flown, representing a 2.0% increase from January 2025. Total domestic seat capacity has continued to outpace passenger growth for 6 consecutive months, although it remains below 2019 levels.

In January 2026, Virgin Australia recorded the largest increase in capacity (+2.8%) among the monitored airlines when compared to January 2025, followed by Jetstar (+2.0%), and Qantas (+1.8%), while capacity declined for Rex (-2.8%). Capacity growth was higher in December 2025 (+5.2%), consistent with seasonal demand patterns. Compared with December 2024, Jetstar recorded the stronger growth in capacity (+7.3%) followed by Qantas (+5.3%) and Virgin Australia (+4.0%). In contrast, Rex's capacity fell by 1.2% for the same period.

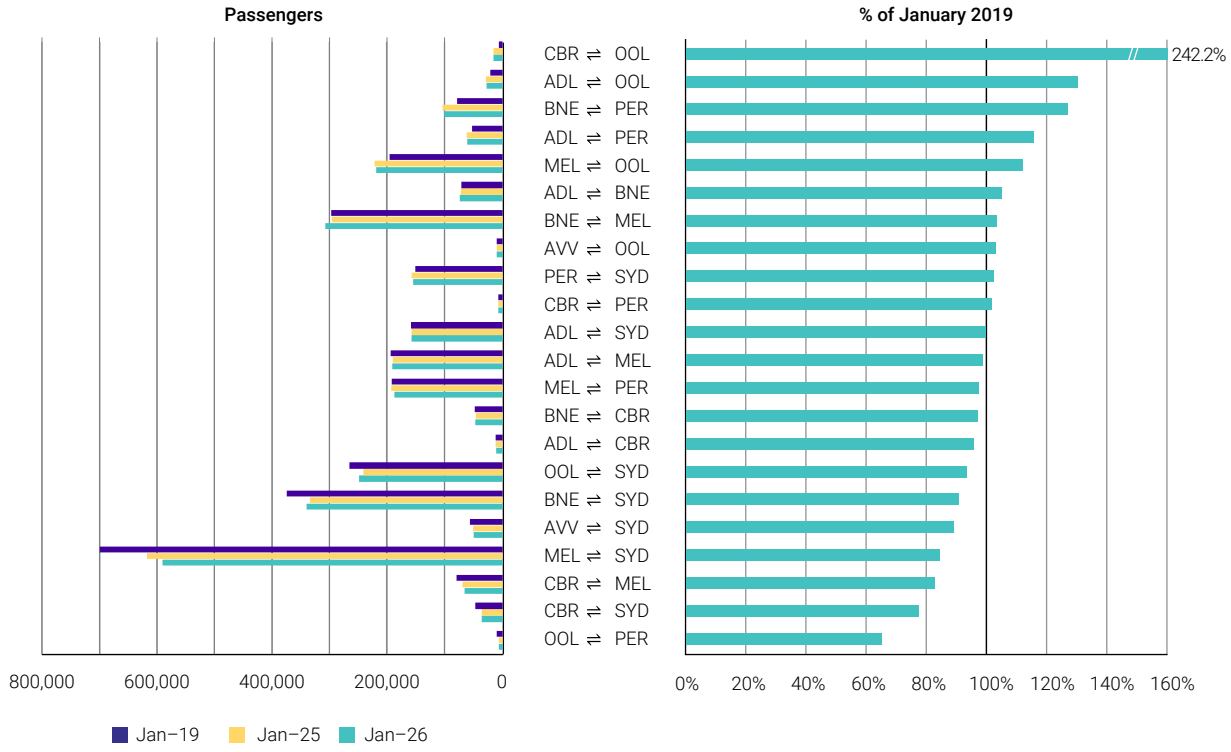
As noted in section 2.2, the acceleration in capacity growth was supported by ongoing aircraft deliveries. In particular, Jetstar commenced operating 4 of the Jetstar Asia aircraft which contributed materially to its growth in capacity.

The industry-wide load factor, measured by the percentage of available seats filled by passengers was 80.3% in January 2026. When compared to January 2025, the load factor for Jetstar, Qantas and Virgin Australia were all lower (by 1.1 percentage points, 2.9 percentage points and 3.5 percentage points respectively). In contrast, the load factor for Rex was 3.9 percentage points higher than the previous year. This was due to the increase in passenger numbers for Rex in January 2026 coupled with a decline in capacity for the same period.

Although load factors remain relatively elevated, they are lower than those recorded year-on-year. This can, in part, be attributed to increased aircraft deliveries, which has provided greater flexibility for airlines to add seat capacity on flights.

Figure 5 ranks routes connecting larger cities according to their growth in passengers since January 2019. Routes that have a significant proportion of leisure travellers are busier during the summer holiday period, including January. In January 2026, 10 routes surpassed 2019 passenger numbers, with 8 routes to and from the Gold Coast or Perth.

Figure 5: Passenger levels on routes connecting larger cities – January 2019, 2025 and 2026



Source: Data collected by the ACCC from Bonza (February 2023 to March 2024), Jetstar, Qantas, Rex and Virgin Australia.
Note: CBR–OOL represents 242.2%.

In January 2026, passenger volumes at most major airports were similar to volumes 12 months prior, with a slight growth concentrated in leisure-oriented markets such as the Sunshine Coast and the Gold Coast. Passenger numbers at Canberra, Melbourne and Sydney airports fell year-on-year, reflecting reduced business travel during that time.

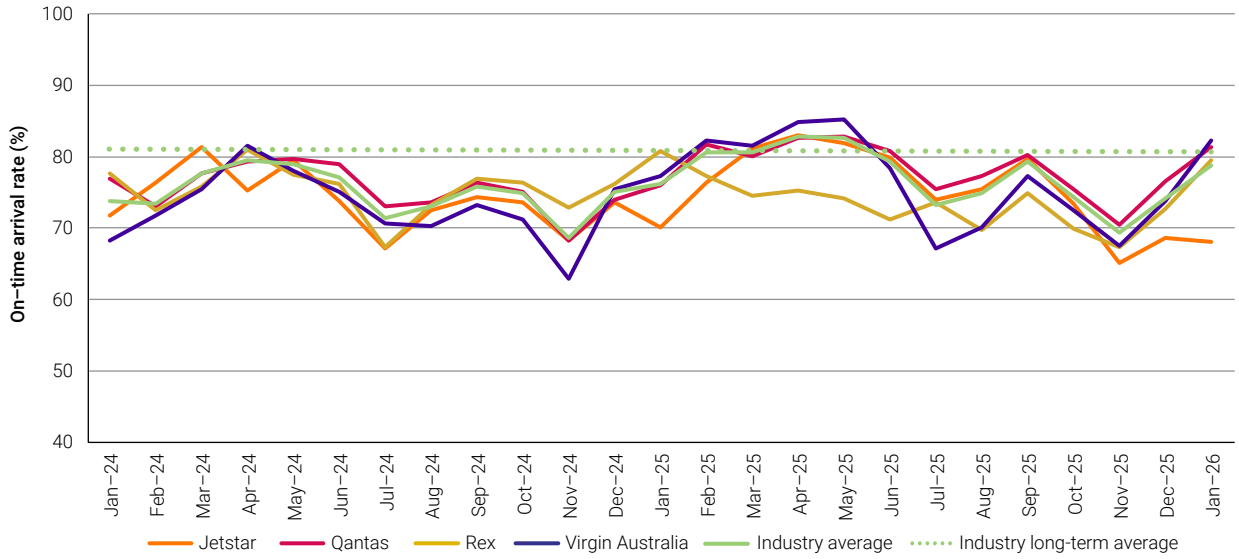
In contrast, December 2025 was characterised by year-on-year increases in passenger volumes at most major airports, with particularly notable growth at Adelaide and Perth airports.

3.2 On-time performance improved overall, but cancellation rates varied between airlines

Service reliability fluctuated throughout the quarter to January 2026, with performance varying significantly between airlines. While Virgin Australia has continued to perform strongly with respect to cancellation rates, Jetstar's on-time performance was poor.

Figure 6 shows that the average industry on-time performance rate (arrivals) was relatively poor in November 2025 (69.0%) before improving in December 2025 (73.8%) and again in January 2026 (78.4%).

Figure 6: Airline on-time performance rates (arrivals) – January 2024 to January 2026



Source: BITRE, On-time performance time series – January 2026. Qantas figures include QantasLink and Virgin Australia figures include VARA.

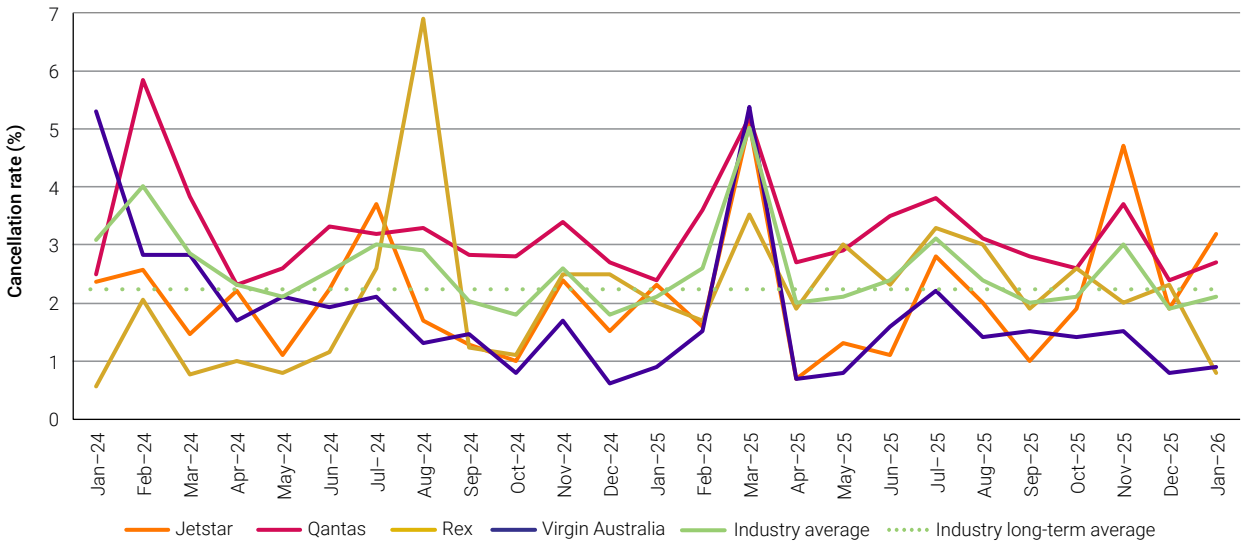
Note: A flight is considered on-time if it arrives within 15 minutes of the scheduled arrival time shown on the airline's schedule.

In January, Virgin Australia reported the best on-time performance amongst the monitored airlines at 82.0%, followed by Qantas (80.9%) and Rex (79.2%). At 67.7%, Jetstar's performance was significantly lower than the other airlines as well as the industry long-term average of 80.5%.

Jetstar has consistently reported poor on-time performance in recent months, with levels below 70% in late 2025 through to January 2026. Jetstar has indicated that low-cost carriers are more susceptible to prolonged delays due to longer recovery times when cancelling or delaying flights. This is due to the higher average load factors, shorter turnaround times between flights, and final departures being closer to curfews when compared with full-service carriers.

Figure 7 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 7: Airline cancellation rates – January 2024 to January 2026



Source: BITRE, On-time performance time series – January 2026. 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 increased for November 2025 and decreased below the long-term average in December 2025 and January 2026. Virgin Australia and Rex reported low cancellation rates in January 2026, with Virgin Australia at 0.9% and Rex at 0.8%, both well below the long-term industry average (2.2%). Virgin Australia's performance with respect to cancellations has generally been the strongest of the monitored airlines for 4 consecutive months. Meanwhile, the cancellation rate for Qantas (2.7%) and Jetstar (3.2%) remained at a much higher level in the same month.

Although Virgin Australia's past performance indicates that it prioritises completing flights, at times impacting on-time performance, in January 2026 the airline out-performed Qantas in both categories.

In November 2025 Jetstar was significantly impacted by a global Airbus A320 software issue and related aircraft grounding. This resulted in the cancellation of approximately 90 domestic flights across Australia, resulting in delays and disruption for passengers as the airline worked through fleet software updates and network recovery.[67] This issue likely contributed to the sharp spike in Jetstar cancellations in November, reaching 4.7%. The highest Jetstar cancellations in November 2025 was on the Brisbane–Sydney route, at 10.8%.

Sydney Airport faced air traffic control related disruptions throughout November 2025 to January 2026. In January 2026, there were 4 days that Airservices Australia described as having 'unacceptably high service disruptions', with shortages in air traffic controllers causing significant delays.[68]

Flights to and from Canberra Airport remain of particular concern. While cancellations in January 2026 across all airlines were 2.3%, consistent with the industry average, the figures were significantly higher for Qantas than Virgin Australia. In January 2026, Qantas cancelled 4.9% of flights between Canberra and Sydney, compared to 0.8% for Virgin Australia (which offers the service via Link Airways). Similarly, Qantas cancelled 5.1% of flights between Canberra and Melbourne in January 2026, compared to no cancellations for Virgin Australia on the same route.

67 Australian Visas & Immigration Team, 'Jetstar grounds 34 Airbus A320s after global software recall, cancelling 90 flights', *VisaHQ*, 30 November 2025, accessed 4 March 2026.

68 Airservices Australia, *Airservices Australia releases January 2026 Australian Aviation Network Overview* [media release], Airservices Australia, 19 February 2026, accessed 4 March 2026.

4. Competition and connectivity

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

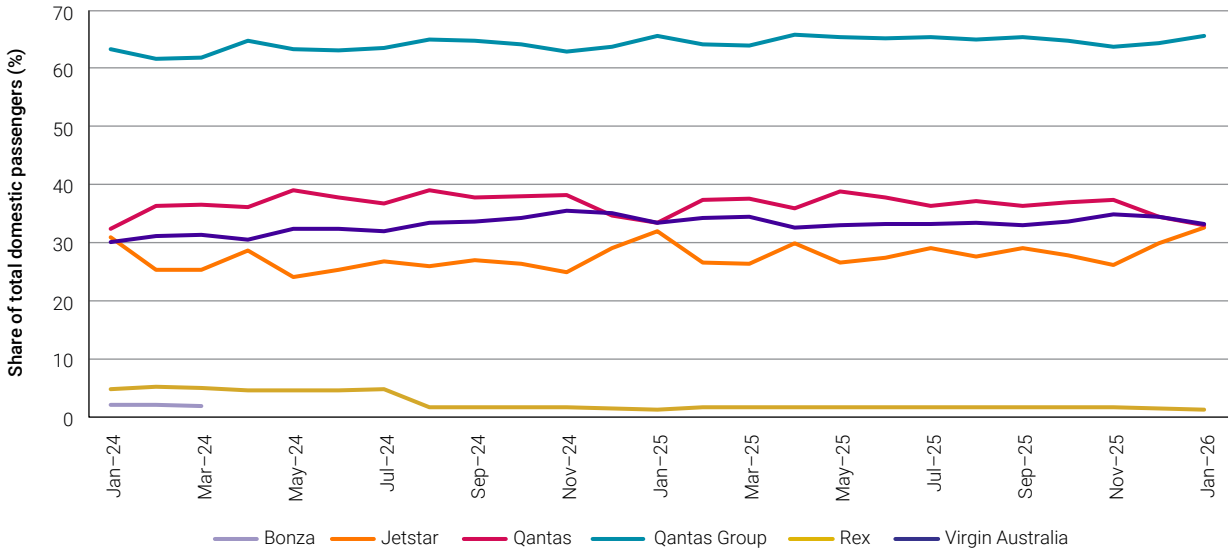
As with chapter 3, the Qantas Group, Rex and Virgin Australia have supplied the ACCC with monthly data up to January 2026 to inform this analysis. The ACCC only has data from Bonza for February 2023 to March 2024 even though it operated services until the end of April 2024.

The ACCC uses Australian Statistical Geography Standard Edition 3 classifications to categorise airports and routes. The categories are Major City, Regional and Remote. Definitions of these categories can be found in the glossary. A list of routes by route type can be found at the Appendix.[69]

4.1 The Qantas Group and Virgin Australia continue to dominate the domestic aviation market

The domestic airline sector continues to be dominated by 2 major airline groups. Figure 8 shows passenger shares by airline over the 2-year period to January 2026.

Figure 8: Share of passengers serviced by airline across all domestic routes – January 2024 to January 2026



Source: Data collected by the ACCC from Bonza (February 2023 to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

In a rare occurrence, Virgin Australia led the market in passenger share in January 2026, holding the largest proportion amongst the monitored airlines. This is a position typically dominated by Qantas, which has serviced the most passengers since January 2025. In January 2026, Virgin Australia serviced 33.2% of passengers, while Qantas accounted for 33.0% and Jetstar had 32.6%. Notably, this is the first January since 2022, and the first time since December 2024, that Virgin Australia has led the market in passenger share.

69 ACCC, *Domestic airline competition in Australia – March 2026* [report], ACCC, Australian Government, 24 March 2026.

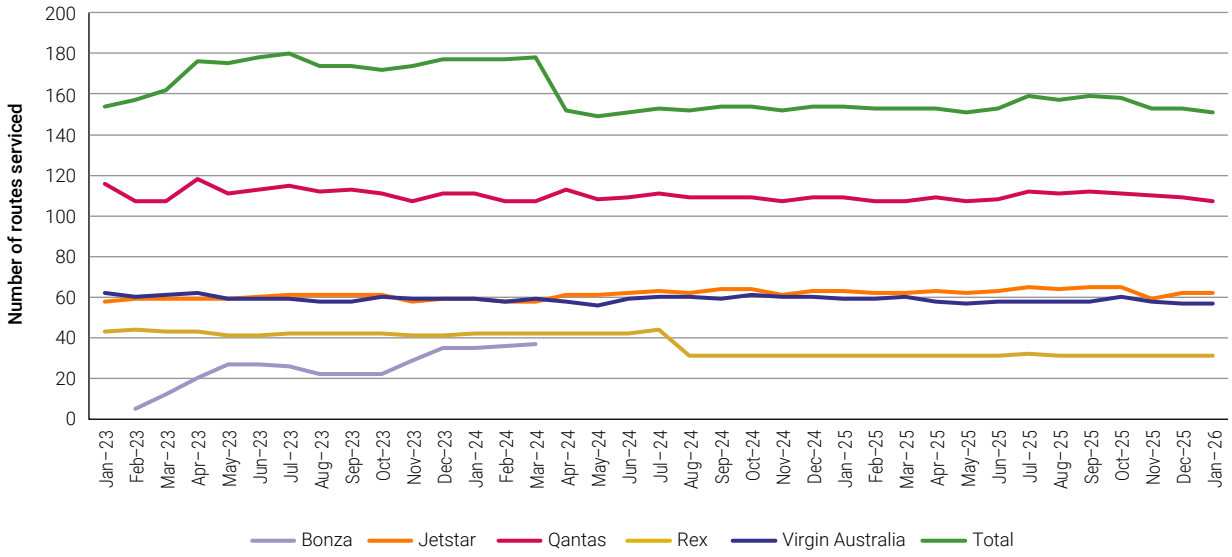
The different customer segments targeted by each airline contributed to seasonal shifts in market share over the 3 months to January 2026. January is typically characterised by more leisure travel and less business demand, which shifts airline passenger shares. Figure 8 shows Jetstar's share increasing, Virgin Australia experiencing a slight drop, and Qantas and Rex both recording a decrease due to their reliance on business travellers. These changes reflect how different customer segments can impact on seasonal travel patterns, impacting on airline market shares.

Combined, the Qantas Group serviced 65.6% of all passengers in January 2026. Adding in Virgin Australia, the proportion of passengers serviced by the 2 largest domestic airline groups was 98.8%. Rex carried the remaining 1.2% of domestic passengers.

4.2 Airline connections decline in late 2025

The total number of domestic routes declined slightly over the 12 months to January 2026, from 154 to 151 (see Figure 9).

Figure 9: Number of domestic routes operated by airlines – January 2023 to January 2026



Source: ACCC calculations using data collected by the ACCC from Bonza (February 2023 to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

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

Of the 151 routes operated by major domestic airlines in January 2026, Qantas serviced over 70% (107 routes), followed by Jetstar (62 routes), Virgin Australia (57 routes) and Rex (31 routes).

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

Jetstar was the only airline to launch a new route between November 2025 and January 2026. The airline commenced a seasonal direct service Hobart–Newcastle from 2 December 2025 to 21 April 2026. This marked the first nonstop connection for the city pair, introduced to cater to increased demand during the peak summer travel period.[70]

70 Jetstar Airways, *Jetstar launches new flights from Hobart to Newcastle as part of Qantas Group's Tasmanian expansion* [media release], Jetstar Airways, 8 October 2025, accessed 5 March 2026.

There have been no domestic routes operated by more than 2 of the major airline groups since July 2024. These are currently the Qantas Group, Virgin Australia and Rex. The 2 airlines within the Qantas Group (Qantas and Jetstar) are not considered to be in competition with each other.

In January 2026, 91% of passengers flew on routes on which there were 2 competing airline groups. The remaining 9% of passengers flew on routes serviced exclusively by one airline group. These figures have been remained relatively stable since Rex withdrew from Major City routes and Bonza exited the market.

In January 2026, there were 23 Major City routes, 90 Regional routes, and 38 Remote routes. From January 2019 to January 2026, the number of Major City routes remained at 23 routes, while Regional routes increased from 81 to 90 routes. However, the total number of Remote routes dropped from 52 to 38 over the same period, with 15 routes dropped and one route added. Of the 15 Remote routes exited by the airlines over the period, Qantas dropped 11 routes, while Virgin Australia dropped 3 routes and Rex dropped 2 routes. The most affected region was Queensland, with 9 of the 15 dropped routes.

In January 2026, the Qantas Group serviced 82 regional routes and 26 remote routes. Virgin Australia serviced 26 regional routes and 11 remote routes.

Rex continued to operate 18 regional and 13 remote routes throughout its voluntary administration period which ended in December 2025. In January 2026, Rex competed with Qantas on 14 of these routes and was the sole operator on the remaining 17 routes.

Airline choice remains limited across all route types

Table 1 displays January 2026 route totals and passenger shares by the number of airlines serving each route. This illustrates the degree to which consumers have a choice of airlines for their travel plans. As expected, Major City routes offer consumers with the most choice, with 70% of these routes served by 3 airlines, while 13% (3 routes) are served by only one airline. In contrast, the majority of Regional (59%) and Remote (68%) routes do not offer any choice, as they are served by only one airline.

Table 1: Proportion of routes by route type and number of airlines – January 2026

	Major City routes	Regional routes	Remote routes
Total routes	**23**	**90**	**38**
Proportion serviced by 1 airline	13% (3 routes)	59% (53 routes)	68% (26 routes)
Proportion serviced by 2 airlines	17% (4 routes)	23% (21 routes)	32% (12 routes)
Proportion serviced by 3 airlines	70% (16 routes)	18% (16 routes)	n/a

Major City routes tend to offer a wider range of travel options because they have higher passenger demand and lower per-seat operating costs. This makes it viable for several airlines to operate services, resulting in more frequent flights and greater choice for travellers. In contrast, Regional and Remote routes typically have lower demand, which limits the number of services that can be sustained and therefore reduces the range of travel options available.

It is important to recognise that Table 1 summarises routes serviced by airline, rather than airline group and therefore does not provide a complete measure of competition. For example, Qantas and Jetstar are part of the same corporate group and do not compete against each other.

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.

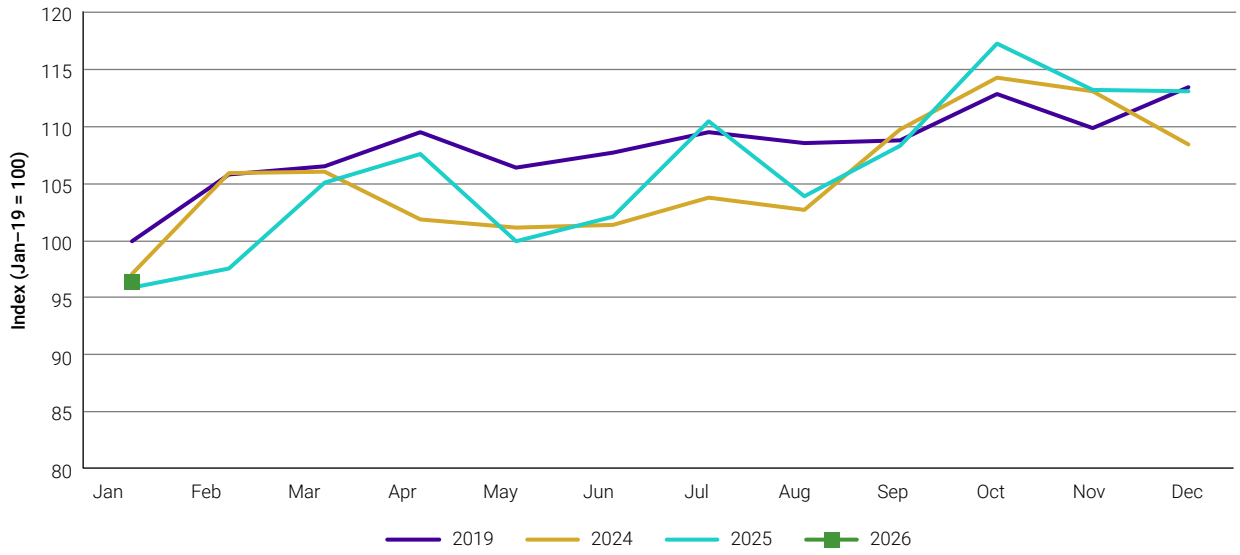
The Qantas Group (comprising Qantas and Jetstar), Rex and Virgin Australia have supplied the ACCC with monthly data up to January 2026 to inform our analysis of average revenue per passenger in section 5.1. This section separately draws on airfare data from the Bureau of Infrastructure and Transport Research Economics (BITRE) up to January 2026.

The jet fuel data in section 5.2 is current to January 2026.

5.1 Average airfares followed seasonal trends over the quarter to January 2026

Figure 10 shows average fare revenue per passenger to January 2026, represented as an index to show changes relative to January 2019, and adjusted for inflation. Average revenue per passenger reflects movements in average airfares across all types of domestic tickets and fare classes.

Figure 10: Index of real average fare revenue per passenger – January to December, 2019, 2024, 2025 and 2026



Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza (February 2023 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 December 2025.

The real average fare revenue per passenger index appeared more volatile month-to-month in 2025 and in 2024 compared to pre-pandemic (2019). The real index generally spiked in 2025 and beat 2019 levels during periods of increased seasonal demand and high load factors. Outside of these periods, real average airfares were generally below pre-pandemic levels.

Real average fare revenue per passenger followed similar seasonal trends over the quarter to January 2026, compared to the same quarter the year earlier. After peaking in October 2025, real average airfares declined by 17.8% over the 3 months to January, reflecting reduced demand for corporate and business travel during the holiday period.

In January 2026, the real index was slightly higher (+0.6%) than January 2025 levels, but 3.6% below January 2019 levels.

In December 2025, the real index was 4.3% higher than in December 2024 and slightly lower (-0.3%) than December 2019 levels.

While inflation-adjusted data provides a more accurate comparison of change in prices over time, consumer perceptions of airfare affordability are likely to be shaped by movements in nominal airfares. In nominal terms, the index was higher in November 2025 (by 3.7%), December 2025 (by 8.1%) and January 2026 (by 3.3%) compared to the same month the year before.

Figure 11 shows the trend in average monthly airline revenue per passenger for January 2019 to January 2026 by route type (Major Cities, Regional, and Remote). Similar to figure 10, seasonal trends were observed for each route type in the 3 months to January 2026.

Figure 11: Index of real average fare revenue per passenger by route type: January 2019 to January 2026

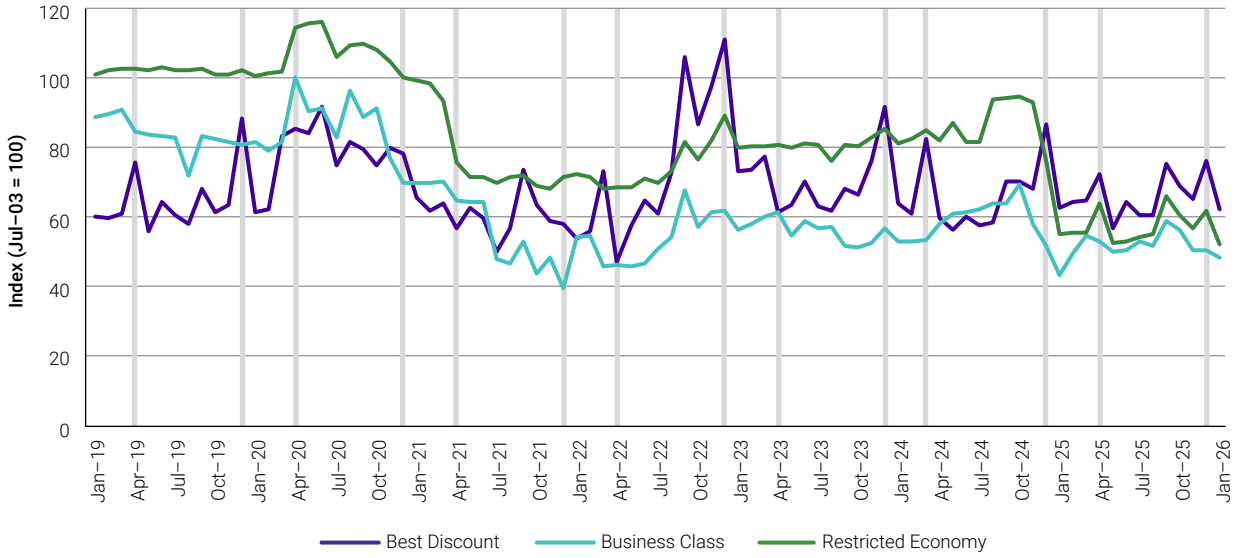
Source: ACCC calculations using data from the ABS and data collected by the ACCC from Bonza (February 2023 to March 2024), Jetstar, Qantas, Rex and Virgin Australia.

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 December 2025. (3) Grey bars indicate December and Easter holiday periods.

The real index in January 2026 was higher on Major City routes (+2.4%) and Remote routes (+1.0%) but lower on Regional routes (-2.9%), when compared to January 2025.

BITRE collects alternative airfare data to the ACCC, based on airlines' public internet sites. It calculates the price indices by looking for the lowest available airfare of that type on a route, across any airline, for the last Thursday of the month. Figure 12 shows BITRE's airfares index, for best discount fares, restricted economy and business class fares, for January 2019 to January 2026.

Figure 12: BITRE real cheapest airfare index, by airfare type – January 2019 to January 2026



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 and February 2022 may have been impacted by the government's half-price ticket program (TANS).

The real best discount airfare index spiked in December 2025, reflecting peak demand for leisure travel during the Christmas to new year period. The real best discount airfare index however was 12.2% lower compared to December 2024.

In January 2026, the real best discount airfare index was consistent year-on-year. Over the same period, the real restricted economy airfare index was 5.1% lower, while the real business class airfare index was 10.9% higher.

Brisbane routes had the greatest increase in real best discount airfares between January 2025 and January 2026. Large increases were observed for Adelaide–Brisbane (+81.0%), Ayers Rock–Sydney (+42.0%), Brisbane–Rockhampton (+41.4%), Brisbane–Townsville (+31.5%) and Brisbane–Canberra (+30.4%).

5.2 Jet fuel prices to move away from recent lows

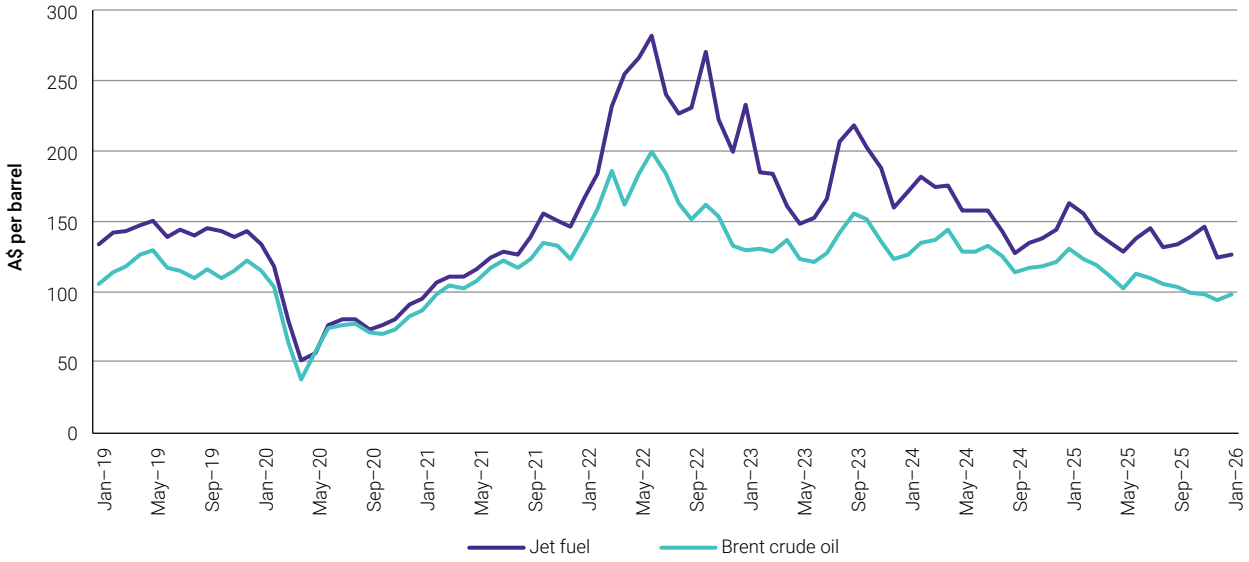
Jet fuel is a significant contributor to an airline's operating costs. It will typically account for between 15% to 25% of an airline's operating costs, but this can vary depending on factors such as the price of jet fuel, the type of aircraft and the route.

The price of jet fuel is influenced by changes in both Brent crude oil prices and the AUD–USD exchange rate. Brent crude oil is a key input in the refining of jet fuel, while changes to the AUD–USD exchange rate impacts the international cost of jet fuel in Australian dollar terms.

As discussed in section 2.1, the price of both Brent crude oil and jet fuel increased significantly in March 2026. These prices are also showing significant volatility as new developments regarding the conflict are reported.

Figure 13 shows jet fuel prices in real terms between January 2019 and January 2026.

Figure 13: Real jet fuel and Brent crude oil prices (A$) – January 2019 to January 2026



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. Data has been adjusted for inflation using ABS CPI quarterly data up to December 2025.

Jet fuel prices were relatively stable throughout 2019, then decreased sharply with the decline in global air travel at the beginning of the pandemic. Prices increased gradually through 2021 and 2022, as the aviation industry began its post-pandemic recovery. Prices subsequently peaked in June 2022 after the Russia-Ukraine conflict due to the tightening of supply conditions. Since October 2022, jet fuel prices have generally trended downwards with the easing of supply constraints.

In January 2026, prior to the Middle East conflict, the price of jet fuel was $125.85 a barrel. Between January 2023 and January 2026, prices had decreased by 46%, reflecting a consistent decline in both brent crude oil and jet fuel prices. Jet fuel prices remained under $150 a barrel between March 2025 and January 2026.

Hedging is used by some airlines to shield against the price volatility of jet fuel, particularly to protect against sharp short-term price increases. It may also result in a short-term delays in cost savings when prices decrease.

Immediately prior to the conflict in the Middle East, airlines were able to access jet fuel at relatively lower prices, which allowed for short-term protection from the more recent price rises observed in section 2.1.

6. Aviation workforce challenges

Australia's aviation sector relies on a skilled and diverse workforce but faces persistent challenges. These include skilled worker shortages and high training costs. Skilled worker shortages were exacerbated by the COVID-19 pandemic. However, the shortages appear to have since eased in some areas, for some industry participants.

Workforce constraints can impact an airline's ability to effectively manage its operations and expand. Smaller and regional carriers typically face significantly greater barriers compared to larger airlines, risking reduced competition and fewer choices for travellers.

This chapter discusses the composition of the domestic aviation workforce and key issues faced by the workforce. It also discusses policy initiatives underway to address these issues. To inform the chapter, the ACCC spoke to industry participants including airlines, industry associations, and aviation training facilitators.

6.1 The aviation workforce is evolving

A resilient and responsive aviation workforce is essential to support the industry and meet strong forecast growth in passenger demand. Over the longer term, new skills will be needed to help the industry adapt to emerging technologies and transition toward a more sustainable aviation future.

The aviation workforce comprises a range of roles across airline and airport operations, air traffic control, aircraft manufacturing and maintenance, as well as corporate and administrative functions.

Operational roles which are technical in nature and require formal qualifications include pilots, licenced aircraft maintenance engineers, air traffic controllers, and flying instructors. There are also operational roles which are service-based and require on-the-job training, for example, baggage handlers and ground crew, cabin crew, and customer support roles.

Jobs and Skills Australia publish domestic employment data for 2 industry categories of direct relevance to aviation:[71]

- 'Air and space transport' relates to workers mainly engaged in operating aircraft for the transportation of freight and passengers.[72]
- 'Airport operations and other air transport support services' relates to workers mainly engaged in operating international, national or civil airports, and providing other services to air transport such as airport terminals, runways, air traffic control services, aerospace navigation or baggage handling services.[73]

71 Jobs and Skills Australia (JSA), *Labour Force Trending: National Industry Trend – November 2025* [dataset], jobsandskills.gov.au, 2026, accessed 11 February 2026.

72 ABS (2006-revision-2.0), *4900 Air and Space Transport*, ABS website, accessed 9 March 2026.

73 ABS (2006-revision-2.0), *522 Airport Operations and Other Air Transport Support Services*, ABS website, accessed 9 March 2026.

As of November 2025, approximately 71,700 people were directly employed across these categories – around three-quarters (52,200 workers) in air and space transport and the remainder (19,500 workers) in airport operations and other air transport support services. The total number of people directly employed in air and space transport was consistent (+0.4%) with levels in November 2019, while the number of people directly employed in airport operations and other air transport support services increased by 45.8% over the period. [74]

As the 2 largest airline groups in Australia, the Qantas Group and Virgin Australia are the sector's largest employers. Both have reduced their direct workforces since 2019.

As of December 2025, the Qantas Group directly employed more than 28,000 employees across its domestic and international operations,[75] compared to almost 30,000 in June 2019.[76] This represents an approximate 4% reduction in its direct workforce over the period. As of December 2025, Qantas also employed about 8,000 indirect workers, including contractors and outsourced labour hire arrangements.[77]

In 2020, Qantas made the decision to outsource approximately 2,000 ground-handling positions at 10 Australian airports. Australian courts later found Qantas' decision to be unlawful, and in contravention of general protections in the *Fair Work Act 2009* (Cth), resulting in a $90 million civil penalty imposed in 2025.[78]

Virgin Australia directly employed more than 8,000 employees across its business as of June 2025,[79] compared to more than 10,000 employees in June 2019.[80] This represents a 23% reduction in its direct workforce over the period. As of June 2025, Virgin Australia's workforce also consisted of almost 7,000 indirect workers.[81]

As part of Bain Capital's acquisition and its transition to a single Boeing 737 fleet in 2020, Virgin Australia indicated plans to restructure and reduce its workforce, as well as review its supplier contracts to better align with the company's future size and requirements, and to lower costs.[82]

Rex had approximately 950 direct employees as of February 2026. This compares to around 1,600 in July 2024 when Rex was operating services on intercity routes, and about 950 in December 2019.

Labour and staff related costs made up roughly one-quarter of total expenditure for both Qantas Group and Virgin Australia in the first half of 2025–26.[83] For Rex, labour and staff related costs

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74 JSA, *Labour Force Trending: National Industry Trend – November 2025* [dataset], jobsandskills.gov.au, 2026, accessed 11 February 2026.

75 Qantas Group, *1HF26 Results – Supplementary Presentation* [PDF 531KB], Qantas Group, 28 February 2026, accessed 2 March 2026, p 5.

76 Qantas Group, *Data Book 2020*, Qantas Group, 2020, accessed 11 February 2026, p 26.

77 This figure is an estimate only. Estimate provided by the Qantas Group. Includes all indirect workers, including offshore contact centres and ground handlers, where the Qantas Group pay for a service and the third party provides the resources to deliver that service.

78 Gilbert + Tobin, *$90 million penalty against Qantas for breach of the Fair Work Act*, Gilbert + Tobin website, 25 August 2025, accessed 9 March 2026.

79 Virgin Australia Group, *FY25 Modern Slavery Statement* [PDF 2.3MB], Virgin Australia, December 2025, accessed 6 March 2026, p 10.

80 Virgin Australia Group, *Annual Report 2019* [PDF 4.5MB], Virgin Australia Group, 2019, accessed 11 February 2026, p 2.

81 Virgin Australia Group, *FY25 Modern Slavery Statement* [PDF 2.3MB], Virgin Australia, December 2025, accessed 6 March 2026, p 10.

82 Virgin Australia Group, *Virgin Australia Group announces plan to focus on core strength, re-establishing itself as an iconic Australian airline* [media release], Virgin Australia Group, 4 August 2020, accessed 9 March 2026.

83 Qantas Group, *HY26 Appendix 4D and Interim Financial Report*, Qantas Group, 26 February 2026, accessed 10 March 2026, p 20; Virgin Australia, *HY26 Appendix 4D and Interim Financial Report*, Virgin Australia, 27 February 2026, accessed 9 March 2026, p 26.

generally made up a greater share of total expenditure (almost 30% in the first half of 2023–24), likely in part due to its smaller aircraft which require a higher crew-to-passenger ratio.[84]

6.2 Workforce challenges amidst rising demand

Some industry participants in the aviation industry face ongoing shortages in critical roles driven by an ageing workforce and difficulty attracting and retaining skilled workers. The high cost and complexity of training and certification requirements further exacerbate the problem as it creates barriers to entry and progression. Figure 14 provides a summary of the key challenges faced by the aviation workforce.

Figure 14: Key aviation workforce issues

Worker shortages can have a significant impact on airline and airport operations, reduce service reliability and safety standards, and hinder industry growth and competition. Major airlines are generally better able to attract and retain workers due to their respective branding, wide geographical reach, and potential capacity to provide greater training opportunities and compensation. Larger airlines may also be better equipped to manage worker shortages. This may pose barriers for new

84 Rex Airlines, *Half year financial report – 31 December 2023* [PDF 4.2MB], Rex Airlines, February 2024, accessed 9 March 2026, p 12.

entrants, regional airlines, and general aviation businesses, including those providing aeromedical and primary health care services, to build and/or maintain their workforces and operations.

Existing worker shortages were exacerbated during the COVID-19 pandemic, with approximately 40% of employees across the industry stood down or let go by May 2020.[85] Our consultation with stakeholders indicated that many workers who had sought alternative employment did not return to the aviation industry when air travel resumed, and the pool of potential recruits had dwindled.

Demand for air travel has rebounded in recent years, with passenger numbers surpassing pre-pandemic levels, airlines expanding their operations and adding new routes, and airports increasing investment in infrastructure. At least 83% of COVID-induced stand downs have been reversed,[86] and as noted above, direct employment numbers in airport operations and air transport support services are higher than in 2019. Although workforce challenges seem to be persisting, some industry stakeholders have indicated that worker shortages are easing in some areas.

Pilots, aircraft engineers and air traffic controllers are in short supply

According to Jobs and Skills Australia, there has been a national shortage across multiple air transport occupations every year since 2023, including aeroplane pilots, licenced aircraft maintenance engineers, air traffic controllers, aircraft baggage handlers and airline ground crew, flight attendants, and flying instructors.[87]

Many aeroplane pilots are approaching retirement age, and their experience and expertise will be difficult to replace. Furthermore, with the rapid expansion of the global aviation industry post-pandemic, Australia has lost many qualified pilots to overseas airlines offering more lucrative compensation packages, for example, United-States based airlines. Training to become a pilot is also time-consuming and costly, which can limit the pool of potential recruits (training costs are discussed in section 6.3.2).[88]

Some industry participants said that pilot shortages in Australia have eased somewhat over the last year. Virgin Australia for example said that it has not experienced difficulties recruiting and/or retaining pilots, and most other operational roles. Another industry participant said that growing international markets including Asia however continue to present a risk to the future supply of experienced pilots in Australia.

Licenced aviation maintenance engineers are responsible for conducting the physical maintenance of an aircraft, including the inspection and repair of engines and other aircraft components. They are licenced by the Civil Aviation Safety Authority to certify that repairs have been completed correctly and that the aircraft is safe to fly.[89] Licenced aircraft maintenance engineers continue to be in short supply. Stakeholders indicated many in this cohort were able to take up roles with other technical industries during and post-pandemic and have not returned. The shortage is compounded by a low number of new entrants, and similar to pilots, an ageing workforce, global competition, and rigorous training requirements.[90]

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85 DITRDCSA, *Aviation White Paper – Towards 2050*, DITRDCSA, Australian Government, 26 August 2024, accessed 11 February 2026, p 86.

86 Industry Skills Australia, *Aviation*, Industry Skills Australia website, n.d., accessed 11 February 2026.

87 JSA, *Occupation Shortage List*, JSA, Australian Government, n.d., accessed 11 February 2026.

88 Industry Skills Australia, *Aviation Industry: 2025 Workforce Plan*, 2025, Industry Skill Australia, 2025, accessed 4 March 2026, p 18.

89 DITRDCSA, *Aviation White Paper – Towards 2050*, DITRDCSA, Australian Government, 26 August 2024, accessed 11 February 2026, p 94

90 Industry Skills Australia, *Aviation Industry: 2025 Workforce Plan*, Industry Skills Australia, 2025, accessed 4 March 2026, pp 20–21.

Airservices Australia, provider of air traffic control and aviation rescue and firefighting services, has experienced significant staffing shortages in recent years. Due to the fiscal situation arising from the COVID-19 pandemic, Airservices stated that it reduced its aviation rescue & fire fighting and air traffic management staff by 10–15% from 2019–20 to 2021–22.[91] Airservices have since undertaken significant recruitment efforts to address the shortage, endorsing 91 air traffic controllers in 2025, with an additional 95 controllers expected to be endorsed in 2026.[92]

General and regional aviation have it tougher

Worker shortages have a disproportionate impact on general and regional aviation. The Regional Aviation Association of Australia noted in 2024 that many of its members had been forced to cut some regional services as they could not properly crew or source the necessary spare parts for their respective aircraft fleets.[93] In 2023, Rex publicly identified pilot and engineer shortages and the resulting impacts on its services, including the suspension of certain routes and reductions in flight frequencies.[94]

Only one-third of the aviation workforce are women

Women are underrepresented in the aviation industry, making up around one-third of the workforce.[95] The share of women is even lower in operational and technical roles, for example, air traffic controllers (17%), aeroplane pilots (7%), and aircraft maintenance engineers (6%).[96]

Research as part of the 'Barriers to the Pipeline Research Project' indicated that gender barriers can hinder the recruitment and retention of women in aviation, thereby constraining labour supply.[97]

Recruitment and training issues limit the pool of potential recruits

Careers in aviation are less sought after

Worker shortages have been intensified by difficulties attracting and retaining a qualified workforce.

Some industry participants have the view that the aviation industry may not be as attractive as it once was.[98] Significant job losses associated with the pandemic has led to the perception that aviation is a less secure and stable employment option. Furthermore, during the pandemic, air transport workers seeking alternative employment were exposed to other industries offering better working conditions.

There may also be poor public awareness of the breadth of aviation careers available. One stakeholder said many young people perceive the industry to only be accessible to high-achieving STEM (Science, Technology, Engineering, and Mathematics) students, which limits the pool of potential recruits for various critical roles.

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91 Airservices Australia, *Draft Price Notification 2024–2026*, Airservices Australia, 20 November 2023, accessed 9 March 2026, pp 19–20.

92 Airservices Australia, *Airservices Australia Bolsters Air Traffic Controller Training With New Airways International Deal* [media release], Airservices Australia, 2 February 2026, accessed 11 February 2026.

93 Regional Aviation Association of Australia (RAAA), *Submission to the Jobs and Skills Australia consultation on the Core Skills Occupation List – May 2024* [PDF 2.7 MB], RAAA, n.d., accessed 11 February 2026, p 3.

94 Rex Airlines, *Rex to make more reductions to its regional network* [media release], Rex Airlines, 22 September 2023, accessed 6 March 2026.

95 JSA, *Labour Force Trending: National Industry Trend – November 2025* [dataset], jobsandskills.gov.au, 2026, accessed 11 February 2026.

96 JSA, *Occupations*, JSA website, Australian Government, n.d., accessed 11 February 2026.

97 Woman in Aviation/Aerospace *Australia*, *Barriers to the Pipeline Research Project – Interim report,* Aviation/Aerospace Australia, 2022, accessed 11 March 2026.

98 A Walton, 'Aviation isn't glamorous anymore, says RMIT Leader', *Australian Aviation*, 17 July 2025, accessed 12 March 2026.

It is especially difficult attracting and retaining personnel to regional and remote areas. Industry Skills Australia indicated detracting factors to working in these areas include limited housing availability, higher living costs, restricted access to essential services, and fewer lifestyle options.[99]

Pilot training is costly

The cost involved in aviation training, especially pilots, is higher compared to many other industries. Pilot training includes mandatory flight hours which have a significant impact on total tuition fees. For example, as of February 2025, the estimated fee (upper bound) for a Diploma of Aviation (Commercial Pilot Licence) is about $120,000 for an aeroplane or $100,000 for a helicopter, and $70,000 for a Diploma of Aviation (Instrument of Rating).[100] The Diploma of Aviation (Instrument of Rating) enables pilots to fly aircraft under conditions with limited visibility and is an additional compulsory requirement for many pilot career pathways.

While some airline sponsorships, government programs, and scholarships are available to assist with the expense, pilot training is largely funded through personal savings and loans.[101]

Aspiring workers face training and qualification bottlenecks

Qualifications may not align with industry standards and needs in various respects. For example, industry stakeholders have raised concerns that some 'volume-first' pilot training schools do not adequately prepare aspiring pilots in terms of operational competency and commercial context. This has left some pilot school graduates with large debt and limited employability.

Some stakeholders reported that there is widespread confusion as to how to progress through training and licencing pathways for aviation maintenance engineers, and that licencing pathways were too inflexible.

6.3 Policy initiatives to address workforce challenges

There are a number of government and industry-led initiatives currently underway to address workforce challenges in aviation, including those outlined in the Aviation White Paper and the Aviation Industry 2025 Workforce Plan.

As part of the Aviation White Paper, the Australian Government committed to streamlining training and accreditation pathways for licensed aviation maintenance engineers.[102] In this context, the Civil Aviation Safety Authority (CASA) has introduced a modular licencing scheme of aviation maintenance engineers in December 2023.[103] Through this scheme maintenance engineers can be licenced for specific competencies relevant to their careers, instead of completing the full licenced aircraft maintenance engineer examination process. Another avenue for streamlining is to enable CASA to recognise licences from certain overseas authorities with similar standards and requirements. CASA has consulted on the initiative and is working towards implementation in 2025–26. Additionally, efforts are underway to align CASA licencing with Vocational Education and Training qualifications. A scoping report identifying next steps was released in September 2024.

99 Industry Skills Australia, *Aviation Industry: 2025 Workforce Plan*, Industry Skills Australia, 2025, accessed 4 March 2026, p 36.

100 Industry Skills Australia, *Aviation Industry: 2025 Workforce Plan*, Industry Skills Australia, 2025, accessed 4 March 2026, p 26.

101 Industry Skills Australia, *Aviation Industry: 2025 Workforce Plan*, Industry Skills Australia, 2025, accessed 4 March 2026, p 26.

102 DITRDCSA, *Aviation White Paper – Towards 2050*, DITRDCSA, Australian Government, 26 August 2024, accessed 11 February 2026, pp 15–16.

103 DITRDCSA, *Aviation White Paper Annual Implementation Status Report 2025*, DITRDCSA, Australian Government, 20 February 2026, accessed 3 March 2026.

The Government also committed to setting expectations for large Australian airlines to employ newly qualified pilots rather than relying solely on recruiting experienced pilots from other aviation businesses.

The Government will establish a new Gender Equity Charter for the aviation industry. This will involve working with industry to set employment targets for women in senior and operational roles, eliminate the gender pay gap and improve policies and practices to support traditionally feminised sections of the industry. A consultation paper on the Charter was published in February 2026.[104]

The Aviation Industry 2025 Workforce Plan, prepared by Industry Skills Australia, sets out a number of projects to address the training priorities and workforce challenges.[105] A key project involves developing a comprehensive repository of career information on specific aviation occupations, including qualifications and training available for each role. Another project will involve a review of existing qualifications and industry needs and regulations across a number of roles, to identify and bridge gaps.

The plan also outlines a number of areas for further consultation, including other avenues to raise awareness of current and future aviation careers, a more robust approach to skilled migration, and whether there is a need to establish a national pilot apprenticeship program.

104 DITRDCSA, *Gender Equity Charter for Australian Aviation—consultation paper*, DITRDCSA, Australian Government, February 2026, accessed 12 March 2026.

105 Industry Skills Australia, *Aviation Industry: 2025 Workforce Plan*, Industry Skills Australia, 2025, accessed 4 March 2026, pp 11, 12, 41.


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