



## **Submission No 17a**

**Inquiry into Australia's relationship with India as an emerging world power**

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22 August 2008

Dr Margot Kerley  
Review Secretary  
Joint Standing Committee on  
Foreign Affairs, Defence and Trade  
Parliament House  
Canberra ACT 2600

Dear Dr Kerley

**Inquiry into Australia's relationship with India as an emerging world power**

Further to our 2006 submission, and in response to your letter of 24 July 2008, Qantas is pleased to update the Joint Standing Committee as follows.

The Indian aviation market has undergone further deregulation and experienced unprecedented growth in recent years. Associated with these changes, low cost carriers such as Jet Airways, Air Deccan, Kingfisher, Spice Jet, Jet Lite and Go Air have made significant inroads into the market shares of the government owned airlines; namely international carrier Air India, and domestic carrier Indian Airlines.

Partly in response to these developments, Air India and Indian Airlines were merged under the Air India banner in 2007, and long overdue steps were taken to progressively modernise and re-equip their fleets.

Like carriers elsewhere, the financial performance of India's airlines is being impacted by record jet fuel prices and analysts have estimated that at they could be facing aggregate losses of around US\$2 billion in 2008-09. Again as elsewhere, they have been responding by reducing capacity and realigning services.

Overall, however, the growth in passenger numbers - which has been well ahead of short term planning projections - has placed India's airport infrastructure and facilities under severe pressure, highlighting the need for major investments in upgrades and new developments.



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In response to this, renovations are currently underway at Mumbai and Delhi to expand international capacity for both runways and terminals, while Chennai and Kolkata have similarly commenced renovations. New “greenfield” airports have opened at Bangalore and Hyderabad.

While India’s aviation industry is undergoing growth, both domestically and internationally, no Indian carrier has moved to enter the Australian market with direct services.

Qantas operations to India have been modified since our 2006 submission. We are now operating three A330-200 services per week non-stop between Sydney and Mumbai, offering a total of 705 seats. While the commercial performance of the route remains below expectations, we remain committed to the India market given its increasing importance and obvious long term potential.

In addition, Qantas has entered into a code share agreement with Jet Airways, under which our code is placed on daily Jet Airways services between Singapore and Mumbai, and Singapore and Delhi. Reciprocally, Jet Airways places its code on a range of Qantas services operating between Singapore and Sydney, Melbourne, Brisbane, Adelaide and Perth. These arrangements provide effective exposure to a wider selection of city pairs than could be operated viably with direct services in our own right.

Both in mounting our own operations and in operating on a code share basis with Jet Airways, Qantas continues to face strong competition in the Australia-India market from Asian “hub” carriers. Operating to all of Australia’s major gateways, these competitors are able to connect Indian bound traffic over their home bases to/from flights serving multiple Indian ports.

The networks operated by these hub carriers are quite extensive. For example, Cathay Pacific offers 24 services weekly beyond Hong Kong to three Indian ports, Malaysia Airlines 29 services beyond Kuala Lumpur to five ports, Thai Airways 36 services beyond Bangkok to five ports, and Singapore Airlines 56 services beyond Singapore to seven ports.

According to the Australian Tourism Forecasting Committee’s recently released estimates (Forecast 2008 - Issue 1) inbound visitors numbers from India to Australia will grow by 20% in 2008 – the fastest growth rate from any country, with similar rates expected to prevail over the next 10 years.

Accordingly, Qantas will continue to monitor traffic flows between Australia and India, and look to increase our presence on a sustainable basis over time.

Reflecting Australia's general approach of negotiating capacity well ahead of demand, the current bilateral air services arrangements between Australia and India provide sufficient room for carriers from both sides to enter the market and/or grow operations for the foreseeable future.

We would be pleased to provide further information if it would be of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Hawes", with a long horizontal stroke extending to the right.

**David Hawes**  
**Group General Manager**  
**Government and International Relations**