# The Duopolistic Nature of the Australian Commercial Airline Industry: Structural Constraints and Market Implications

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## Abstract

The Australian commercial aviation sector presents a persistent duopolistic market structure, currently dominated by Qantas and Virgin Australia. Despite deregulation and multiple market entry attempts, sustained national competition beyond these two carriers has proven unviable. This study investigates the economic, geographic, and regulatory conditions that have enabled the continuation of this duopoly, assessing the implications for market efficiency, pricing behavior, and consumer welfare.

Using a mixed-methods framework, the analysis combines financial and operational data (e.g., route coverage, fare structures, and load factors) with document analysis of government policy, industry regulation, and corporate strategy. Particular attention is given to post-deregulation market dynamics, the collapse of Ansett, the rise and repositioning of Virgin Australia, and the recent failures of emerging competitors such as Rex and Bonza. The study also explores barriers to entry, including slot access at constrained airports, capital intensity, and the role of frequent flyer programs in reinforcing incumbent market power.

Preliminary findings suggest that geographic dispersion, low population density (~3.6/km²), and limited surface transport alternatives contribute to high fixed costs and low elasticity of demand—conditions that structurally favor duopolistic competition. Theoretical implications are drawn from industrial organization and contestable market theory, providing a foundation for evaluating potential policy interventions and alternative business models.

This research contributes to transportation economics by offering a detailed case study of persistent duopoly in a liberalized market, with broader relevance to essential network industries where market forces alone may not deliver optimal outcomes.