



Submission No 3

Review of Australia's Relationship with the Countries of Africa

Name: Mr David Epstein
Group Executive
Government and Corporate Affairs

Organisation: QANTAS



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Dr John Carter
Inquiry Secretary
Joint Standing Committee on
Foreign Affairs, Defence and Trade
Parliament House
Canberra ACT 2600

Dear Dr Carter

**Inquiry into Australia's relationship
with the countries of Africa**

I refer to your letter of 30 October 2009 inviting Qantas to submit comments in relation to the above inquiry.

The attached provides an overview of Qantas' presence in Africa, which is primarily focused in South Africa.

Qantas supports the further development of bilateral relations between Australia and the countries of Africa. Increased engagement is likely to have a positive impact on the aviation sector, through greater tourism and trade.

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

Yours sincerely

DAVID EPSTEIN
Group Executive
Government and Corporate Affairs

Qantas Airways Limited

ABN 16 009 661 901

Sir Fergus McMaster Building 203 Coward Street Mascot New South Wales 2020 Australia
Telephone 61 (2) 9691 3636 Facsimile 61 (2) 9691 4005

QANTAS AND AFRICA

Passenger flows

South Africa is Australia's 21st largest market in terms of total origin/destination (O/D) traffic flows, and 17th largest in terms of inbound visitors. In the year to end September 2009, close to 275,000 passengers travelled between the two countries, equivalent to 2,630 passengers each way each week, a decline of 3.4% on levels in the prior 12 month period.

The traffic mix is almost even, comprising 49% Australian residents and 51% visitors.

The majority of Australian resident traffic travels to South Africa for leisure purposes – 37% for holidays, 40% visiting friends and relatives (VFR) - while 18% of travellers list business as their primary purpose. The past decade has seen significant growth in the proportion of VFR travellers from 24% of resident traffic, which is not surprising given that around 115,000 South African expatriates now live in Australia.

The figures are similar for visitor traffic, with VFR comprising 33%, holidays 25% and business 23%, with the composition of these segments also changing over the past 10 years. There has been strong growth in the proportion of inbound visitors travelling to Australia for business, while holiday traffic has fallen.

The majority of Australia-South Africa O/D traffic, around 67%, travels directly to/from South Africa. The second largest point of uplift/discharge (U/D) is Singapore with around 10% of total traffic. Other intermediate hubs include the UAE, Mauritius, Malaysia, Hong Kong and Thailand.

Most of the traffic between Australia and South Africa has an O/D of South Africa (72%), with a small proportion travelling to/from the UK, Zimbabwe, Zambia and Botswana.

Competition between destinations for South African tourists is increasing, with European and Middle Eastern carriers expanding their operations to South Africa substantially in recent years.

Air services arrangements

The formal air services agreement between Australia and South Africa was put in place in 1955, although Qantas had operated scheduled services to Johannesburg since 1952.

Air services negotiations held in June 2008 achieved substantially liberalised arrangements, alleviating capacity constraints which had existed for some time.

This included an immediate doubling of capacity to 10 services per week for both sides, increasing to 14 in October 2009 and then 21 frequencies per week in October 2010.

The new arrangements also allow for airlines of both sides to operate between Australian and South African regional international airports with unrestricted capacity, offer unrestricted opportunities for freighter operations.

Australia has a small number of air services agreements in place with African countries other than South Africa, including Zimbabwe, Egypt, Mauritius and more recently Kenya. Qantas has previously indicated to the Department of Infrastructure, Transport, Regional Development and Local Government our support for the negotiation of further agreements, principally to support the carriage of cargo.

Operations

Qantas first operated to Johannesburg in 1952, maintaining these services until 1977 when services between Australia and Southern Africa were suspended as part of a range of measures taken by the Australian Government to place pressure on the South African regime. Services resumed in 1982, with Qantas operating weekly services from Sydney to Harare via Perth and then to Johannesburg. Direct services between Australia and Johannesburg were added in 2001.

Today, Qantas operates six non-stop four class B747-400 services between Sydney and Johannesburg per week, with plans to add a seventh weekly service in 2010.

Under code share arrangements with South African Airways (SAA), Qantas places its code on SAA's daily services between Perth and Johannesburg, while SAA places its code on Qantas' Sydney-Johannesburg services.

Globally, the aviation industry has seen a dramatic fall in demand and yields due to the substantial deterioration in economic conditions and this is also evident in the Australia-South Africa market.

The decline in overall passenger traffic, particularly corporate travellers, has been challenging for Qantas' South Africa services. More broadly, the aggressive pricing strategy adopted by some third country carriers offering indirect services, with many serving multiple points in Australia and Africa, has added further pressure to yields and the performance of the route.

As a result, Qantas has introduced various sales and joint marketing initiatives to offset declining demand, which has seen a sharp decline in average yields. The

performance on the route, however, has seen some improvements and this is expected to continue as economic conditions improve.

SAA has recently rejoined the Qantas Frequent Flyer Program, allowing passengers to earn and use Qantas Frequent Flyer points on domestic flights within South Africa, and on flights between South Africa and Australia.

Qantas operated a weekly freighter service on the South Africa route in 2005, however, the service was not commercially sustainable and was subsequently withdrawn.

Qantas employs 17 staff in Johannesburg.

Qantas has a long-standing partnership with Tourism Australia that includes annual cooperative campaigns in key international markets, such as South Africa.

Founded in 1979, the Qantas Cabin Crew Team (QCCT) is a registered charity made up of volunteers and is committed to assisting those that are less fortunate, particularly children, throughout the world. The QCCT has a number of projects which they support in South Africa and Zimbabwe, fulfilling their philosophy of being a practical charity with biannual trips to Johannesburg.