



15 August 2011

Ms Sue McIntosh
Executive Director
International Air Services Commission
GPO Box 630
Canberra ACT 2601

Dear Ms McIntosh

**Review of code share arrangements between
Qantas and South African Airways**

Qantas Airways Limited has pleasure in applying to the Commission for an extension for a further five years of authorisations which permit it to code share with South African Airways (SAA) on services between Sydney and Johannesburg.

Continuation of the arrangements will meet the needs of consumers by maximising available choices and benefits; optimising growth in Australian tourism and trade; and assisting Qantas to compete effectively with airlines of foreign countries, including those third country carriers actively participating in the Australia – South Africa market. Arrangements approved since December 2000 by the Commission have ensured efficient use of negotiated capacity; enhanced the viability of carriers in the face of increasing competition, and maximised the public benefit.

The arrangements are fully consistent with provisions of the Australia – South Africa air services agreement which allow designated airlines of each country to code share on the services of the other. The circumstances of this market and the public benefit derived from these arrangements are such as would permit the Commission to authorise the application consistent with the tenet in the Minister's Policy Statement that where code share capacity is available under air services arrangements, the Commission would generally be expected to authorise applications for use of that capacity to code share.

The Commission and the operating carriers over the last decade have developed a detailed understanding of the structure and complexity of this market. Few other routes have been examined in such detail. Qantas provides the Commission with reports containing commercial data each quarter on the performance of the code share arrangements. The latest quarterly data has been provided separately to the Commission. We understand that SAA has also provided detailed commercial submissions to the Commission concerning its experience of the market. The accumulated knowledge and understanding of the complexity of this particular market mitigate strongly in our view in favor of the Commission extending its approval to permit SAA to code share on Qantas operated flights on the South Africa route for a further five years.



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Discontinuing the code share arrangements would likely lessen the competition benefits achieved by the code share. Continuation of the arrangements will produce a superior outcome for the Australia-South Africa route than would be the case if they were not permitted to continue, and will increase prospects of maintaining a sustainable level of competition in the long term.

Variations Sought


Qantas seeks an extension of the IASC approval to permit SAA to code share on Qantas operated flights on the South Africa route for a further five years. Qantas considers the extension requested meets the requirements of the International Air Services Commission Act and the terms of the Minister's Policy Statement.

The code share arrangements will continue to be limited to the carriage of passengers. Qantas and SAA will each control and market all cargo capacity on their own flights. Accordingly, Qantas seeks to vary Determinations [2006] IASC 130, [2008] IASC 105, [2008] IASC 109; [2009] IASC 126 and [2010] IASC 115 on the South Africa route to enable SAA to code share on Qantas services operated pursuant to these determinations and in accordance with the Qantas-SAA Commercial Agreement and Code Share Agreement of December 2000, as amended. The variations are sought with effect from 1 January 2012 to 31 December 2017.

As with previous applications, information sought by the Commission for the review of these code share arrangements is set out in the Attachment and Annex to this letter. As the majority of this material is commercially sensitive, we would ask the Commission to withhold it from the public register and not disclose it to any third party without Qantas' consent.

We would be pleased to provide further assistance to the Commission in relation to the attached material should it be required.

Yours sincerely



Tony Wheelens
General Manager Group
Government and Industry Affairs