

Ms Sue McIntosh
Executive Director
International Air Services Commission
GPO Box 630
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Dear Ms McIntosh

Review of Qantas-SAA codeshare arrangement

I trust it will not be considered impertinent if, as an Australian who travels between Australia and Johannesburg, I make some comments regarding the above arrangement between Qantas and SAA.

Since the renewal application was opened for consideration last year, V Australia has cancelled its direct flight between Melbourne and Johannesburg, leaving SAA and Qantas as the only two airlines with direct flights between the two countries.

It is interesting to note, however, that all the requirements laid down by the IASC (when granting renewal last year) are no longer being applied.

SAA have reduced their weekly Johannesburg-Perth-Johannesburg flights from seven to six. As stated by the IASC in March this year, the Commission will assess this during its review of the codeshare arrangements during the second half of 2011.

I can not, however, find any reference on the IASC website to the fact that SAA also has reduced considerably its capacity on the Perth-Johannesburg route. At the time the IASC made its codeshare determination last year, SAA was operating Airbus A340-600 (346) aircraft on that route. They have a capacity of 317 passengers (275 in Economy; 42 in Business Class). This meant a projected capacity of 2219 seats a week.

Now SAA is using Airbus A340-300 (343) with a capacity of 253 (215 in Economy; 38 in Business Class). Operating seven flights a week with the Airbus A340-300 (343) reduces this capacity to 1771 seats. This change of aircraft would mean an overall decline in passengers of 20.18% but only 9.52% fewer seats in Business Class yet an incredible 21.8% in Economy per flight.

As stated above, the anticipated weekly capacity between Perth and Johannesburg, when the IASC determination was made last year, was 2219 seats (seven flights using Airbus A340-600 [346] aircraft). But now with just six flights a week, and using smaller Airbus A340-300 (343) aircraft, that total projected weekly capacity has fallen to 1518 seats – an actual decline of 701 seats or 31.59%.

One does not require a Masters degree in Economics or Marketing – a simple understanding of the principle of Supply and Demand is sufficient – to realise the huge benefits to an airline offering 31% fewer seats on the shortest flight between Perth and Johannesburg. Of course Qantas can also benefit, in terms of Supply and Demand, as a result of this capacity reduction by SAA.

It is interesting to note, though, that were SAA still operating Airbus A340-600 (346) aircraft between Perth and Johannesburg, the capacity now (with six flights a week) would be 1902 seats – a decline of 317 or 14.28% (as compared to the current decline of 701 seats or 31.59%).

Unfortunately I do not have a means of showing the fare structure since the frequency and capacity on the Perth-Johannesburg route was reduced. However, may I alert the IASC to the incredible seasonal difference between fares paid by Australians when purchasing a Qantas or SAA ticket on the Perth-Johannesburg route compared to fares charged by Singapore Airlines.

Here are the cheapest Economy fares quoted on the respective airlines' websites for a three-week Perth-Johannesburg return flight on the dates specified:

<u>Departure date</u>	<u>Airline</u>	<u>Fare</u>
1 August 2011	Qantas	\$1980
1 August 2011	SAA	\$1569
1 August 2011	Singapore Airlines	\$1915
1 December 2011	Qantas	\$3114
1 December 2011	SAA	\$2358
1 December 2011	Singapore Airlines	\$2128

The above fares show Qantas raising its fares in December by 57%, SAA by 50% and Singapore by 11%. Yet the flying time from Perth to Johannesburg via Singapore is around 16 hours – some 50% longer than the direct Perth-Johannesburg route used on the Qantas-SAA codeshare flights.

It would be surprising if Singapore Airlines was incurring a loss with its fares. Consequently one can only question why people flying with Qantas or SAA on the codeshare route are being slugged over 50% more to travel in December rather than August. The answer is obvious: there is no proper competition on the Perth-Johannesburg route.

This is further illustrated by a comparison of Qantas' Economy return fares, as shown on its website, for the direct route between Australia and Johannesburg, where there are no real competitors, and the far longer route between Australia and London where the airline competes with several other international carriers.

<u>Route</u>	<u>Low season fare</u>	<u>High season fare</u>	<u>Difference</u>
Perth-London	\$2198	\$2840	29%
Perth-Johannesburg	\$1980	\$3114	57%
Sydney-London	\$2404	\$3088	28%
Sydney-Johannesburg	\$2101	\$3308	58%

Most fair-minded people would deduce from these figures that Qantas is capitalising on the lack of real competition on the Australia-South Africa route. The seasonal difference is outrageous and it is obvious that Australians flying to South Africa by the shortest possible route must pay far more per mile than those flying between Australia and London, irrespective of whether they depart from Perth or Sydney.

I would submit that, in the interests of Australian travellers, the IASC seriously considers the above fare comparisons when deciding whether to extend the Qantas-SAA codeshare arrangement which, in many ways, appears to have developed into a cosy duopoly – solely because of the absence of real competition.

Finally, I note that a submission (on the Qantas-SAA codeshare arrangements) received from an individual on 31 August 2010, was published on the IASC website but with the author's details withheld on request.

Similarly I respectfully request that my name and address be withheld if the IASC circulates or publishes my submission (either whole or in part) in any medium.

Yours sincerely

