



**Minister for Innovation, Services and Small Business
Minister for Tourism and Major Events**

121 Exhibition Street
Melbourne
Victoria 3000
GPO Box 4509
Melbourne VIC 3001
Telephone: (03) 9651 9900
Facsimile: (03) 9651 9962

Ref: D2011/25419

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

Dear Ms McIntosh

**SUBMISSION ON QANTAS' APPLICATION TO REVIEW CODE SHARE
ARRANGEMENTS WITH SOUTH AFRICAN AIRWAYS**

I am writing to provide the Victorian Government's response on Qantas Airways' intention to extend code share arrangements with South African Airways (SAA).

Qantas and South African Airways have no direct services between Melbourne and South Africa. The Victorian Government would therefore like these two carriers to consider the opportunity of commencing direct services between Melbourne and South Africa before extending their current code share agreement. There is strong evidence - as outlined later in this submission - that a market exists between Melbourne and Johannesburg that is currently not being satisfied by routing all Qantas and SAA traffic through Sydney and Perth.

THE CASE FOR DIRECT MELBOURNE-SOUTH AFRICA SERVICES

Victoria and Australia have a strong relationship with South Africa sharing a history of British settlement and Commonwealth membership. Since the 1800s there have been movement of people between Victoria's goldfields and the mineral rich provinces of South Africa. This ongoing link is still evident today, with the world's largest mining company BHP Billiton having two of its four global head offices located in Melbourne and Johannesburg.

In the year ending June 2011 there were 46,271 passengers that travelled between Melbourne and South Africa, an increase of 49.2% from 2010. According to the Department of Immigration and Citizenship (DIAC) passenger card data this number would be considerably higher (up to 69,819 passengers) if it were not for a 22.4% and 11.4% leakage of passengers through Sydney Airport and Perth Airport respectively.

This market also has the potential to grow with continuing immigration. According to the Australian Bureau of Statistics, 19,300 South Africa-born people lived in Victoria (18.6% of Australia's total) in 2006, increasing by 23.3% from 15,700 persons in 2001. This is expected to have risen again when the results of the 2011 census are released.

Victoria also has a strong trade relationship with South Africa exporting \$163 million of exports to South Africa in 2009 (85% of airfreight travels in the cargo holds of passenger aircraft). There is also a strong educational link between Victoria and South Africa, highlighted by Melbourne-based Monash University establishing one of its two international campuses in the suburb of Ruimsig, 25km from the Johannesburg City Centre in 2001. This campus currently accommodates more than 2,000 students, underlining Victoria's competitive strength in being a provider of education services to South Africa.

Considering that Melbourne is Australia's second largest city and its population is growing faster than Sydney's it is important that Qantas and South African Airways' focus should be on establishing direct flights to and from Melbourne before attempting to extend any code share agreements on the Sydney-Johannesburg via Perth air service route.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Louise Asher', with a long, sweeping underline that extends to the right.

THE HON LOUISE ASHER MP
Minister for Innovation, Services and Small Business
Minister for Tourism and Major Events

15 SEP 2011