QANTAS/SAA CODE SHARE

APPLICATION FOR NEW DETERMINATION AND CODE SHARE CONDITION

1. Introduction

Qantas Airways Limited (**Qantas**) holds the following Determinations under section 8 of the *International Air Services Commission Act 1992* (**the Act**) in connection with Qantas' capacity on the Australia – South Africa route:

- [2008] IASC 105;
- [2008] IASC 109;
- [2009] IASC 126;
- [2010] IASC 115; and
- [2012] IASC 103.

The above Determinations allocate Qantas a total of 7 frequencies per week in each direction between Australia and South Africa.

1.1 New Determination

Qantas is applying for a new Determination under section 7 of the Act allocating it 7 frequencies per week (the same number that it currently holds in total under the above Determinations) in each direction between Australia and South Africa. This will replace the above Determinations.

Qantas is also requesting that the new Determination include a condition under section 15(1)(e) of the Act to allow South African Airways (**SAA**) to code share on Qantas-operated flights between Australia and South Africa until 31 March 2016.

If Qantas is allocated the capacity that it seeks under the new Determination, it will seek revocation under section 27AA of the Act of the above Determinations which currently allocate capacity to it on this route, and will request that the commencement date of the new allocation be the date of the revocation of the existing Determinations.

1.2 Code Sharing Condition

On 18 December 2000, Qantas and SAA entered into a "hard block"[1] codeshare agreement to code share on each other's services between Australia and South Africa. Qantas hard block code shares on SAA's services between Perth and Johannesburg, and SAA hard block code shares on Qantas' services between Sydney and Johannesburg (**Codeshare Agreement**).

Via a series of Decisions, the International Air Services Commission (**Commission**) varied its previous Determinations so as to authorise the use of the capacity allocated to Qantas under those Determinations for code sharing with SAA on Qantas-operated flights between Australia and South Africa, subject to the following conditions:

- any new code share agreement or amendments to the current Codeshare Agreement must be approved by the Commission;
- there must be no sharing or pooling of revenues under the Codeshare Agreement;
- Qantas and SAA must price and sell their services on the route independently and must withdraw from all IATA tariff coordination activities in relation to air fare levels on the route;

[1] See section 6.1 for an explanation of the characteristics of a hard block code share.

- Qantas must take all reasonable steps to ensure that passengers are informed (at the time of booking) of the carrier actually operating the code share flight;
- the approval will remain in effect only while Qantas and SAA together operate at least 10 return services per week on the route; and
- Qantas must submit quarterly reports on the number of code share seats available to and sold by the marketing carrier on each of the code share services and quarterly yields per revenue passenger kilometre (**RPK**) for all passenger classes.

In Decision [2012] IASC 201, dated 29 February 2012, the Commission re-authorised this use of the capacity allocated to Qantas until 31 December 2012, but raised a number of concerns about the Codeshare Agreement.

On 14 June 2012 Qantas applied to the Commission for an interim authorisation authorising the use of the capacity allocated to Qantas until 31 March 2013.

Without authorisation from the Commission allowing hard block code sharing on the Australia – South Africa route post-31 March 2013, the Codeshare Agreement will be terminated.

Accordingly, Qantas is requesting that the new Determination include a condition authorising the use of the capacity under that Determination for hard block code sharing with SAA on Qantas-operated flights between Australia and South Africa for three years, until 31 March 2016.

1.3 Submission Outline

This submission is made in support of the application for the new Determination containing the condition authorising code sharing on the route and also seeks to address a number of the concerns raised by the Commission in its February 2012 Decision.

Below we set out:

- the test for allocating capacity and authorising code share arrangements;
- key characteristics of the Australia – South Africa route;
- the operation of the Codeshare Agreement;
- the likely counterfactual if the Codeshare Agreement is not authorised;
- the public benefits from the Codeshare Agreement; and
- any additional public benefits under a paragraph 5 analysis.

2. The Test for Authorisation

Qantas is applying for a Determination under section 7 of the Act:

- allocating it 7 frequencies per week in each direction between Australia and South Africa; and
- containing a condition under section 15(1)(e) of the Act allowing SAA to code share on Qantas-operated flights between Australia and South Africa for 3 years, until 31 March 2016.

Section 3 of the Act provides that:

> *"The object of this Act is to enhance the welfare of Australians by promoting economic efficiency through competition in the provision of international air services, resulting in:*

(a) increased responsiveness by airlines to the needs of customers, including an increased range of choices and benefits; and
(b) growth in Australian tourism and trade; and
(c) the maintenance of Australian carriers capable of competing effectively with airlines of foreign countries."

It is against these objectives that the allocation of capacity and the authorisation to code share must be assessed.

2.1 The Test for Allocating Capacity

The process and policy to be applied when considering an application for capacity or for a variation is set out in the International Air Services Policy Statement dated 19 May 2004 (**Policy Statement**).

Paragraph 4 of the Policy Statement provides that the general criteria to be considered by the Commission when considering, *inter alia*, an allocation of capacity is the benefit to the public. Paragraph 4.1(b) of the Policy Statement provides that it is not of benefit to the public for the Commission to allocate capacity to Australian carriers unless such carriers are reasonably capable of:

(a) obtaining the necessary approvals to operate on the route; and

(b) implementing their applications.

Qantas is an Australian carrier and has been continuously operating on the Australia – South Africa route since 1993.

Qantas submits that it clearly meets the public benefit test in paragraph 4 of the Policy Statement because:

- it has a strong history of operating on the route and delivering benefits to customers (in the form of increased frequencies where possible) and supporting Australian tourism and trade;

- it is the only Australian carrier currently applying for capacity on the route and, if the capacity is allocated to Qantas, a significant amount of capacity remains available to be allocated to another Australian carrier; and

- it otherwise has the necessary approvals to operate on the route.

The remainder of this submission addresses Qantas' application for a condition in the Determination allowing SAA to code share on Qantas-operated flights between Australia and South Africa.

2.2 The Test for Authorising use of Capacity for Code Share Arrangements

In relation to code share arrangements, paragraph 3.6 of the Policy Statement provides that:

> *"Where capacity that can be used for code share operations is available under air services arrangements, including where foreign airlines have rights to code share on services operated by Australian carriers, <u>the Commission would generally be expected to authorise applications for use of capacity to code share</u>. However, if the Commission has <u>serious concerns</u> that a code share application (or other joint service proposal) may not be of benefit to the public, it may subject the application to more detailed assessment using the additional criteria set out in paragraph 5 (whether the application was contested or not). Before doing so, the Commission will consult with the Australian Competition and Consumer Commission."* (emphasis added)

The policy assumption is that code share arrangements generally benefit the public. Unless the Commission has "serious concerns" that a code share application may not be of benefit to the public, authorisation to code share should be granted and the paragraph 5 criteria are not relevant to its assessment. In determining whether it has "serious concerns" the Commission must make an objective assessment of the proposal.

If the Commission has objective "serious concerns" that a code share application may not be of benefit to the public under paragraph 3.6, it may consider the application more closely using the additional criteria in paragraph 5, after having consulted with the ACCC.

Paragraph 5 sets out the additional criteria that are applicable in assessing the benefit to the public, namely "competition benefits" and "other benefits", including tourism, consumer, trade and industry benefits. For the purposes of this analysis, the competition benefits are the "preeminent consideration"[2] and the "other benefits" are additional to, but not derived from, the "competition benefits". This is made clear in the Explanatory Statement to the Policy Statement,[3] which states:

> *"The Commission is also expected to consult regularly with the ACCC and to take account of any determinations, authorisations or other decisions made by the ACCC. In order to ensure that effort is not duplicated, the Commission limits itself, when assessing applications for capacity, to considering the comparative competition benefits and ensuring that the allocation of capacity is of benefit to the public. Subject to this limitation, the Commission can and indeed under the Act must, have regard to commercial agreements for the joint use of capacity for the purposes of assessing public benefit generally and consumer benefits in particular."* (emphasis added)

For the reasons set out in more detail below, the Codeshare Agreement is consistent with the objectives of the Act because:

- unwinding the block space code share on the Australia – South Africa route will not be conducive to developing the route and optimising frequencies and capacity levels for the travelling public, but will result in less competition on the route;
- it allows Qantas to provide increased frequencies of service across a greater range of destinations (ie, direct services ex-Perth and ex-Sydney both in competition with SAA) than it could absent the Codeshare Agreement, thereby better responding to the needs of customers;
- without daily services and route options made possible by the code share, Qantas would not be able to compete as effectively with foreign "mid-point carriers" who offer daily one-stop services from a range of destinations across southern Africa to a range of cities in Australia; and
- it provides significant benefit to the public by enabling Qantas and SAA to provide sustainable, high frequency services on the route (while maintaining direct competition), particularly in light of the difficult nature of the Australia - South Africa route.

3. The Australia – South Africa Route

The Australia – South Africa route is one of the longest non-stop commercial routes in the world. It takes between approximately:

- 12 and 14 hours to fly non-stop between Sydney and Johannesburg;
- 12 hours to fly non-stop between Perth and Johannesburg; and
- 17 and 20 hours to fly between Sydney and Johannesburg, via Perth.

The Australia – South Africa route has several characteristics which have significant commercial and operational implications for carriers operating on the route.

[2] Paragraph 5.2 of the Policy Statement.
[3] Explanatory Statement to the International Air Services Policy Statement No 5, issued by the Minister for Transport and Regional Services, page 3.

3.1 Route Connects Two Isolated Destinations

Australia to South Africa is a long, thin and isolated route. It connects two relatively isolated destinations, located far from the financial and business hubs of Asia, Europe and America.

Unlike a number of other long haul routes from Australia, such as routes to the UK and the USA, there is relatively little opportunity for through traffic to other destinations beyond South Africa or Australia. The majority of Qantas' passengers on the route travel point-to-point only. For example, 65% of Qantas' passengers on the Johannesburg to Australia services began their journey in Johannesburg. This means that the pool of potential passengers is relatively small for each of Qantas and SAA.

This is in contrast to other long distance destinations and major offshore hubs (such as Singapore, Bangkok and Hong Kong) which have a lot of through traffic and whose home carriers, as mid-point carriers, are able to draw on a range of countries to "feed" passengers into their hubs and onto other destinations.

These major hubs are also characterised by strong, predictable demand associated with generally strong economies. The South African and the wider African economies are relatively weak and have suffered significantly due to the effects of the "global financial crisis".

3.2 Capacity can be Adjusted in Large Increments Only

The great distance of the route means that it can be operated only with specialised large, long-haul aircraft.

These aircraft (Qantas uses Boeing 747-400ERs and SAA uses Airbus 340s) need to be very large to cover the distance required, and as a result of their size they hold a large number of passengers (for example, the Boeing 747-400ER holds approximately 364 passengers and the Airbus 340 holds between 342 and 346 passengers depending on the aircraft type). Accordingly, if a carrier wants to add another flight to the route, the smallest increment of capacity available is that provided by a specialist long-haul aircraft capable of flying the distance between Australia and South Africa.

The "lumpy" nature of capacity on such long-haul routes, where capacity can only be added in large units, means that it is not possible to use smaller aircraft to:

- accommodate a small growth in demand;
- easily add frequency; or
- adjust capacity up or down to efficiently accommodate seasonal demand fluctuations (which can vary by as much as 7,500 passengers per month between the high and low seasons).

By enabling the parties to share capacity and thereby utilise their aircraft more efficiently, and adjust capacity to appropriately respond to demand fluctuations, the Codeshare Agreement helps to alleviate some of the significant challenges involved in operating this route.

4. The Qantas/SAA Code Share Agreement

Code sharing is recognised by regulators as a mechanism to stimulate market growth and competition and offer passengers greater flexibility and choice, particularly on thin routes. The additional traffic generated by the non-operating carrier contributes toward operating costs and allows the operating carrier to operate more services. As we have mentioned above, the benefits of code sharing are acknowledged in the Policy Statement which stipulates that the Commission is "generally. . . expected to authorise applications for use of capacity to code share".

4.1 The Parties

Qantas

Qantas was incorporated in Queensland in 1920 and is Australia's largest international and domestic airline.[4] The Qantas Group's main business is the transportation of customers using two complementary airline brands – Qantas and Jetstar. The Qantas Group employs approximately 35,700 people, of whom around 93 per cent are based in Australia.

Qantas also operates subsidiary businesses including other airlines, and businesses in specialist markets such as Qantas Holidays and Q Catering.

As at June 2011, the Group's network comprised 208 destinations in 46 countries, including Australia and those served by codeshare partner airlines.

Domestically, Qantas (including QantasLink and Jetstar) operates over 5,700 flights each week. These flights serve 59 city and regional destinations in all states and mainland territories.

Internationally, Qantas (including Jetstar) operates more than 970 flights each week, of which approximately 630 are Qantas flights and 340 are Jetstar flights.

In financial year 2011/12, Qantas International is expected to report an earnings before interest and tax (EBIT) loss of over $450 million in 2011/12, compared with a loss of $216 million in 2010/11.

South African Airways

SAA is the national carrier of South Africa, and offers the largest route network in Africa.

SAA operates domestic and international passenger and freight services from its principal bases at Johannesburg and Cape Town, and other points in South Africa.

SAA operates 6 services per week between Perth and Johannesburg, each day of the week except Friday.

4.2 Hard Block Code Share

The Codeshare Agreement is a reciprocal "hard block" code share, where the marketing carrier pays the operating carrier a set amount for a firm number of seats on each return flight based on: (a) a fuel adjustment model; and (b) the costs and charges associated with the operation of the code share services.

Under the current terms of the Codeshare Agreement:

- On SAA's services between Perth and Johannesburg, SAA supplies Qantas with a block of:

  (a) 100 seats on its 2 class A340-200 services (10 business and 90 economy);
  (b) 101 seats on its 2 class A340-300 services (15 business and 86 economy); and
  (c) 127 seats on its 2 class A340-600 services (17 business and 110 economy).

- On Qantas' services between Sydney and Johannesburg, Qantas supplies SAA with a block of:

  (a) 141 seats on its 4 class B747 services (0 first, 26 business, 0 premium economy and 115 economy class seats); and
  (b) 161 seats on its 2 class B747 sky bed services (22 business and 113 economy class seats).

- each party pays the other a fuel charge and a non-fuel charge for their block of seats.

[4] For a full review of Qantas, see "Our Company" on Qantas website at http://www.qantas.com.au/travel/airlines/company/global/en.

4.3 Calculation of Fuel and Non-Fuel Charges

Under the Codeshare Agreement, in consideration for the hard block of seats that they purchase on each other's services between Australia and South Africa, Qantas and SAA pay for each one way service:

- a non-fuel charge; and
- a fuel charge

These charges compensate the operating carrier for the costs of providing the marketing carrier's hard block of seats on the aircraft. The charges are calculated based on the operating costs for the proportion of seats on the aircraft that the hard block comprises. For example, SAA purchases a hard block of 40% of the seats on Qantas' services between Sydney and Johannesburg, so it is obliged to pay Qantas 40% of the cost of operating those services.

Non-fuel Charge

The non-fuel charge that SAA pays to Qantas for its hard block of seats is comprised of the following agreed categories of non-fuel costs involved in operating the aircraft:

- passenger meals;
- in-flight passenger expenses (e.g., menus, newspapers, amenity packs);
- passenger insurance;
- cabin crew and technical crew salaries;
- cabin crew and technical crew expenses (e.g., allowances);
- cabin crew and technical crew air meals;
- in-flight entertainment;
- landing fees/route navigation;
- aviation safety fees;
- ground handling services for passengers;
- Australian and international traffic handling for passengers;
- Australian traffic handling ramp;
- station engineering;
- technical crew training and support;
- cabin crew support (e.g., administrative functions);
- aircraft insurance;
- flight support overheads;
- materials and subcontracting;
- maintenance and overhaul of aircraft;
- port support overheads;
- depreciation and amortisation of aircraft (if applicable); and
- aircraft leasing costs (if applicable).

Because this is a block space codeshare and SAA is responsible for managing and selling its block of seats out of its own inventory system, the charges do not include any costs involved in selling seats (such as distribution costs and commissions), advertising or marketing expenses, or operating Qantas' lounges.

Qantas individually tracks the above categories of costs for the Sydney - Johannesburg route in its route profitability system (which is the system that it uses to measure the performance of all of its routes). This enables it to accurately measure its costs of operating the service, and ensure that these are split appropriately with SAA.

A confidential extract from the route profitability system showing profit and loss on the Sydney – Johannesburg route by financial year is attached as Confidential Annex 2.

Under clause 4.15 of the Codeshare Agreement, the parties are entitled to reasonable access to each other's records, documents, and relevant personnel for the purposes of verifying the information and data provided to each other under the Codeshare Agreement. This information and data relates only to the operational aspects of providing the service, and does not include competitively sensitive information such as pricing, or marketing strategies.

<u>Fuel Charge</u>

SAA is also obliged to pay its proportional share of the fuel costs of Qantas' services between Sydney and Johannesburg. Annex 4 (as amended) of the Codeshare Agreement specifies the fuel charge that SAA should pay Qantas for each one way service. This is calculated by estimating the likely cost and consumption of fuel for the coming season (see Annex 1 – Codeshare Services of the Codeshare Agreement).

Annex 4 of the Agreement is renewed twice per year on a seasonal basis (for the Northern Summer and Northern Winter) to reflect the latest operating schedules. At this time the parties also apply the "Fuel Adjustment Model" in Annex 4 of the Agreement to determine the actual cost of the fuel for the previous period, and their proportionate share of this (being 40%). Any difference in what should have been paid is then settled via a Settlement Payment under Annex 4. Notwithstanding the application of the Fuel Adjustment Model **[Confidential Information Redacted]**.

The information exchanged between the parties concerning fuel relates only to publicly available information (when estimating the likely cost of fuel), and the actual total cost of fuel used to operate the aircraft over the relevant period. It does not include information about, for example, the actual per litre price paid by Qantas or fuel surcharges.

<u>No Profit on Charges to SAA</u>

Qantas does not make a margin on the price it charges SAA for its block of seats. As the confidential tables below show, **[Confidential Information Redacted]**.

Table 1: Non Fuel Costs

SYD/JNB	FY 2008/2009	FY 2009/2010	FY 2010/2011
QF's Average Operating Cost (one way) (AUD)	[Confidential]	[Confidential]	[Confidential]
[Confidential]% x QF's Average Operating Cost (one way) (AUD)	[Confidential]	[Confidential]	[Confidential]
Amount Charged to SAA (one way) (AUD)	[Confidential]	[Confidential]	[Confidential]
Actual % of QF's Average Operating Cost Paid By SAA	[Confidential]%	[Confidential]%	[Confidential]%

Table 2: Fuel Costs

SYD/JNB	FY 2008/2009	FY 2009/2010	FY 2010/2011
QF's Total Fuel Cost (AUD)	**[Confidential]**	**[Confidential]**	**[Confidential]**
[Confidential]% x QF's Total Fuel Cost (AUD)	**[Confidential]**	**[Confidential]**	**[Confidential]**
Actual Amount Charged to SAA (AUD)	**[Confidential]**	**[Confidential]**	**[Confidential]**
Actual % of QF's Total Fuel Cost Paid by SAA	**[Confidential]%**	**[Confidential]%**	**[Confidential]%**

The commercial effect of selling a hard block of seats is that SAA is, in effect, operating the equivalent of a small aircraft on the Sydney - Johannesburg route. The SAA block of seats is included in the SAA yield management system and sold as though it was a SAA service. SAA is at real commercial risk and, as such, has the same incentive to compete with Qantas that it would if was operating a separate smaller aircraft. The block space code share is the most competitive form of code sharing available and encourages strong competition between the airlines.

5. The Counterfactual

Before assessing the benefits to the public from the Codeshare Agreement, it must first be established what is likely to happen (on the balance of probabilities)[5] on the route without the Codeshare Agreement (the Counterfactual).

Maintaining the Codeshare Agreement is important to Qantas and, we believe, to SAA. In the current uncertain economic and aviation environment, unwinding the code share on this route will not be conducive to developing the market and optimising capacity levels for the travelling public.

The ACCC noted in its submissions to the Commission for its February 2012 Decision:[6]

> *"The assessment of competition benefits, which the IASC is required to consider, will depend on the likely counterfactual.*
>
> *If the counterfactual involves no changes to the airlines' existing services, or the withdrawal of one so that there is a single operator, then continuation of the code share is unlikely to lessen competition benefits since the hard block nature of the codes share will at least maintain a degree of rivalry between the airlines."* (emphasis added)

5.1 Qantas' Potential Responses

[Confidential Information Redacted]

[5] Qantas believes that the Commission must assess the counterfactual on the "balance of probabilities", as required by the Full Federal Court in *ACCC v Metcash Trading Limited* [2011] FCAFC 151.
[6] Decision [2012] IASC 201, page 25.

Table 3: Qantas' Potential Responses Absent the Code Share

Options	Overview	Estimated Profit Before Tax (per annum)
[Confidential]	[Confidential]	[Confidential]
	[Confidential]	[Confidential]
[Confidential]	[Confidential]	[Confidential]
	[Confidential]	[Confidential]

5.2 SAA's Potential Responses

[Confidential Information Redacted]

5.3 Potential Responses by Competitors

On the balance of probabilities, it is extremely unlikely that a new airline will enter the route with direct services. Under the terms of the Australia - South Africa Air Services Agreement (ASA), only designated carriers of Australia and South Africa can operate direct services between the two countries. SAA is South Africa's only international long haul airline and the only airline in South Africa with aircraft capable of operating to Australia. Qantas and Virgin Australia are the only designated international airlines in Australia. This means that Virgin Australia is the only new Australian airline that can enter the route.

Absent the Codeshare Agreement, it is unlikely that Virgin Australia will re-enter the route because:

- the intrinsic structural challenges of the route discussed above (its isolation, new capacity can be introduced in large increments only), apply to all carriers and, to effectively compete, Virgin would have to make a large investment in offering a daily service in order to attract passengers travelling for business;
- Virgin's only aircraft capable of operating on the route are Boeing 777s which take approximately two hours extra to fly from the east coast of Australia to Johannesburg than Qantas' Boeing 747-400ERs, placing Virgin at a competitive disadvantage;
- furthermore, Qantas believes that Virgin does not have the specialised aircraft available to operate on the route without withdrawing them from other key routes on which it has commercial alliances (e.g., with Singapore Airlines, Delta and Etihad); and
- if Qantas continues to offer daily direct services between Sydney and Johannesburg, the overall capacity from the east coast of Australia would not change, so Virgin would be competing in an environment with the same amount of Qantas and SAA capacity that is currently being offered from the east coast of Australia.

Whether Virgin is competing with Qantas and SAA (in the factual) or only Qantas (in the counterfactual), is unlikely to have any significant bearing on Virgin's prospects of success. It is much more likely that Virgin's exit from Melbourne to Johannesburg was caused by the fact that it had insufficient frequency and a market size that is too small to support an additional daily service. Furthermore, experience has shown that the market cannot sustain the additional capacity that a third direct carrier would necessarily add.

If the Commission believes that (contrary to Qantas' experience, but based on submissions made by other interested parties), a different counterfactual is more likely on the balance of probabilities, Qantas submits that the Commission must test any evidence put forward by interested parties by holding a hearing under section 30 of the Act and requiring that parties put their evidence to the Commission on oath.

6. Qantas - SAA Code Share Benefits the Public

The code sharing arrangement has brought significant public benefits. It has enabled the route to continue to be served by two carriers who actively compete with one another. By sharing the costs of the aircraft, it allows Qantas and SAA to offer the service more efficiently and to provide daily services between Sydney and Johannesburg.

6.1 "Hard Block" Code Sharing Facilitates Competition

The Codeshare Agreement is a "hard block" code share. A hard block code share is the most competitive form of code sharing and can be analogized to two airlines operating smaller competing flights within the body of a larger aircraft, but with the efficiencies of a larger aircraft.

Under a hard block code share, the marketing carrier (ie, SAA on the Sydney – Johannesburg route), pre-purchases a specified number of seats at a fixed rate. It then "owns" those seats, and is responsible for pricing, marketing and selling them independently. It cannot return the seats to Qantas and is exposed to losses if the seats are not sold.

The efficiency benefits of being able to share a larger aircraft is critical for the Australia – South Africa route because it is not possible to use small aircraft and the passenger demand cannot sustain a significant amount of additional capacity which the use of large aircraft would necessitate.

Furthermore, Qantas and SAA maintain separate seat inventories within their own reservations systems and have no visibility as to what the other carrier's inventory or sales are prior to the flight. SAA uses its own revenue and inventory management systems to competitively price individual seats according to supply and demand conditions.

The Codeshare Agreement has not reduced competition on the route, but has ensured ongoing competition while continuing to deliver benefits to consumers.

Qantas and SAA actively compete with each other in pricing and regularly respond to each other's competitive and tactical pricing on the route. Table 8 in Annex 1 records the tactical "sale" activity for Qantas on the Australia – South Africa route since late May 2011. This information shows that several times during this period Qantas has placed fares on sale in response to competitive pricing by SAA. This is in addition to Qantas' frequent proactive sales on the route, resulting from:

- Qantas engaging in network-wide sales activity due to competition for passenger demand out of Australia across against other international airlines ex-Australia; and
- Qantas engaging in tactical sale activity on the Australia - South Africa route to stimulate demand due to low numbers of forward bookings, often due to competition by indirect carriers on the route.

<u>No Price "Floor" under the Codeshare Agreement</u>

The Commission has previously expressed concern that the Codeshare Agreement creates an effective "floor" under the price at which each airline can sell tickets because, according to the Commission:[7]

- the prices each airline charges the other are "relatively high", putting "an effective floor under the price at which each airline can sell tickets and expect to make a profit"; and
- in the medium to long term, the marketing carrier has little incentive to price below the price it pays to the operating carrier because, if "deep price cuts became persistent, the airlines would be better off exiting the codeshare…and retreating to a monopoly position on their respective routes".

[7] Paragraphs 7.16 and 7.17 of IASC Decision [2012] IASC 201.

The price each airline charges the other for their block of seats under the Codeshare Agreement is not "relatively high". It is unclear what price the Commission is comparing the code share charges with, particularly when (as noted above) **[Confidential Information Redacted]**.

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The total cost of operating the service (and therefore the price of the block space for SAA) is determined from Qantas' route profitability system which records all of the costs of operating the flight. This is exactly the same method and system that Qantas uses to estimate and manage its costs on any route. Qantas therefore charges SAA a block price which is equivalent to (**[Confidential Information Redacted]**) the cost of operating a hypothetical aircraft containing that number of seats on the route.

The "hard block" arrangement does not create an effective price floor. Whenever an airline operates a flight it will have fixed operating costs, and will try to price its tickets so as not to make a loss. Airlines have sophisticated yield management systems which enable them to charge different prices for similar seats on the same flight. This means that one passenger may have paid above the average cost of supplying the service, while their neighbour may have booked their ticket well in advance or taken advantage of a tactical sale fare and paid significantly less than the average cost of supplying the service. Given the perishable nature of seats, the purpose of the yield management system is to ensure that every flight takes off with as many passengers as possible, paying as much as possible. In practice, this means that there are often many passengers who have paid below the marginal cost of operating the service and some seats (set aside for last minute, higher-yielding bookings) fly empty.

Although Qantas does not analyse its route profitability this way, Qantas has regularly priced seats below their proportionate operating costs on the Sydney - Johannesburg route. For example, in 2010/2011, the average cost of operating a seat on the Sydney - Johannesburg route was $**[Confidential Information Redacted]**, but as table 8 illustrates, **[Confidential Information Redacted]**.

6.2 The Code Share Enables Direct Daily Services

Through their code sharing arrangement, Qantas and SAA have also been able to offer direct daily services between Sydney and Johannesburg, and maintain almost daily services between Perth and Johannesburg. This is of particular value to business travellers who often have less flexible travel dates and are time-sensitive.

[Confidential Information Redacted] For example, prior to the code sharing arrangement, Qantas and SAA operated only 4 services per week on a Sydney – Perth – Johannesburg routing.

Today, due to the efficiencies of the Codeshare Agreement, Qantas operates daily services between Sydney and Johannesburg, while SAA operates 6 services per week between Perth and Johannesburg.

6.3 Benefits for Business and Time-Sensitive Passengers

There are a number of benefits arising out of the codeshare for business and time-sensitive passengers:

- as discussed above, the code share enables Qantas to offer daily direct services between Sydney and Johannesburg, and enables SAA to offer six direct services per week between Perth and Johannesburg;

- Qantas and SAA continue to compete with each other for business passengers. For example, since 1 June 2011, Qantas has discounted its business class fares from Australia 4 times, and its premium economy fares 8 times (see Table 8);

- Qantas is in the process of refurbishing some of its Boeing 747 aircraft with completely new interiors, to the same standard as the Airbus 380 services (eg, fully flat business class seats); and

- business passengers also benefit from competition between Qantas and SAA and Qantas and other carriers for corporate travel accounts. For example, in the 12 months between June 2011 and June 2012, Qantas' corporate account customers spent approximately $**[Confidential Information Redacted]** on Business and First Class fares from Australia to South Africa. Their savings were approximately $**[Confidential Information Redacted]** (or on average, **[Confidential Information Redacted]**) in total off the full published fares for their travel.

6.4 Indirect Competitors are a Real Constraint on the Route

Third country carriers provide a real competitive alternative for passengers, particularly those travelling from Australian cities other than Sydney or Perth or to African destinations outside of Johannesburg.

The following carriers offer a one stop service between various cities in Australia and Africa:

- Singapore Airlines, from Sydney, Melbourne, Brisbane, Perth or Adelaide to Johannesburg (and onto Capetown) via Singapore;

- Thai Airways, from Sydney, Melbourne, Brisbane or Perth to Johannesburg via Bangkok;

- Cathay Pacific, from Sydney, Melbourne, Brisbane, Perth, Adelaide or Cairns to Johannesburg via Hong Kong;

- Emirates, from Sydney, Melbourne, Brisbane or Perth to over 20 destinations in Africa (including Johannesburg) via Dubai;

- Etihad, from Sydney, Melbourne and Brisbane to 7 destinations in Africa (including Johannesburg) via Abu Dhabi; and

- Qatar Airways, from Melbourne and Perth to 7 destinations in Middle and Southern Africa via Doha.

Virgin Australia also sells a one stop service via a code share with Singapore Airlines, via Singapore. Table 12 of Annex 1 sets out the one-stop indirect services offered by third country carriers, including their frequency, capacity and flights into Australian ports.

Data available to Qantas indicates that, in 2011, third country carriers carried over 1 out of 4 (or 28%) of all passengers travelling from Australia to South Africa. Third country carriers also carried a significant share of the passengers from Australian cities outside of Sydney and Perth to South Africa. See Tables 5 and 6 below.

Table 5 - Share of Total Passengers Carried by Airline Australia—South Africa (O/D)

Carrier	2008 (%)	2009 (%)	2010 (%)	2011 (%)	May YTD (%)
Qantas*	39.8	44.3	39.1	42%	43%
SAA	29.2	30.2	26.9	27%	28%
Virgin Australia	0	0	12.6	3%	0%
Singapore Airlines	13.3	10.8	8.6	9%	9%
Malaysia Airlines	2.4	2.6	3.1	5%	3%
Emirates	5.5	5.0	3.1	4%	7%
Cathay	2.0	1.5	1.2	2%	2%
Air NZ	1.5	1.4	1.1	2%	1%
Air Mauritius	2.5	0.8	0.7	1%	1%
Others	4.2	3.4	3.6	5%	6%
Total	100	100	100	100%	100%

* Qantas Group
Source: ABS – Inbound and Outbound residents and visitors

Table 6 - Share of Total Passengers Carried by State in 2012 YTD by State

Carrier	ACT (%)	NSW (%)	NT (%)	QLD (%)	SA (%)	TAS (%)	VIC (%)	WA (%)
Qantas*	60	67	13	50	41	43	45	7
SAA	19	7	37	12	25	14	15	75
Virgin Aus	0	0	0	0	0	0	0	0
Singapore	1	8	2	14	16	4	10	6
Malaysia	2	3	3	2	8	4	4	4
Emirates	2	5	7	13	3	8	13	4
Cathay	1	2	0	4	3	0	2	1
Air NZ	1	1	0	1	1	6	1	1
Air Mauritius	0	0	0	0	0	0	0	1
Others	14	6	37	5	1	22	9	3
Total	100	100	100	100	100	100	100	100

* Qantas Group
Source: ABS – Inbound and Outbound residents and visitors, State – South Africa (O/D) YTD May 2012

As Table 7 shows below, over half (52%) of passengers travelling from Africa to Australia travelled on third country carriers.

Table 7 -- Share of Passengers Travelling from Top 10 Destinations[8] in Africa to Australia

Carrier	2010 (June-Dec) (%)	2011 (%)	2012 (Jan-May) (%)
Qantas	26	28	25
SAA	24	24	23
Emirates	14	16	22
Air Mauritius	9	10	10
Virgin Australia	8	6	6
Singapore Airlines	7	3	4
Air Australia	3	3	3
Etihad	3	3	2
Malaysia	2	2	2
Qatar	2	1	2
Thai	1	1	1
Cathay	0	1	0
Others	1	1	1
Total	**100%**	**100%**	**100**

Source: MIDAS

There are a number of benefits for passengers in using a third country carrier on the Australia - South Africa route. The additional time involved in using a third country carrier is often compensated for by cheaper air fares. For example Singapore Airlines' base fares (excluding taxes and surcharges) on the route are lower than Qantas' and SAA's. In June 2012, Singapore Airlines' base one-way business class fare ex-Australia was $5722, compared to $7782 for Qantas and $6752 for SAA. Its core one-way economy class tariff ex-Australia was $1348, compared to $1900 for Qantas and $1890 for SAA.[9]

Third country carriers also offer greater choice and flexibility, and for passengers with an origin or destination outside of Sydney, Perth or Johannesburg, travelling on a third country carrier with a direct service to the destination can eliminate domestic connections in Australia and South Africa.

6.5 There are Other Competitive Agreements on the Route

In addition to the code sharing arrangement, there are several other agreements in place which bolster competition on this route:

- SAA has an interline agreement with Virgin Australia which provides it access to the Australian domestic market;
- SAA has also entered into a code share agreement with Air New Zealand, which enables Air New Zealand to compete with Qantas between South Africa and New Zealand market. **[Confidential Information Redacted]** in passengers flying on Qantas from New Zealand to South Africa; and
- Qantas has an interline agreement with Comair, a British Airways franchise and affiliate member of **one**world, that predominantly operates domestic routes within South Africa. This enables Qantas to better compete with SAA for passengers whose journeys originate from or finish at other points within South Africa.

6.6 The Code Share Enables Additional Investment

Airlines make investment decisions over long lead times, such as ordering aircraft, improving hard product (such as cabin refurbishment, installing flat bed seats and in-seat flight entertainment) and increasing capacity or frequency on a route. Approval of the code share

[8] Johannesburg, Mauritius, Cape Town, Cairo, Nairobi, Durban, Harare, Ghana, Reunion, Addis Ababa, Dar Es Salaam in 2010 – 2012.
[9] Source: Global Distribution System (Amadeus).

arrangement until 31 March 2016 will assist Qantas and SAA to separately commit to further investment on the Australia – South Africa route. For example, Qantas is in the process of refurbishing some of its Boeing 747 aircraft with completely new interiors to the same standard as the new Airbus 380s and is more likely to deploy these aircraft on the route if the code share continues.

SAA will comment separately on its plans for future investment on the route if the Codeshare Agreement continues.

7. Public Benefits under a Paragraph 5 Analysis

The compelling public benefits of the code sharing arrangement mean that an analysis under paragraph 5 of the Policy Statement is not necessary. However, the applicable paragraph 5 factors are assessed below to demonstrate that even under this analysis, the public benefits warrant continued approval of the arrangement until at least 31 March 2016.

7.1 Competition Benefits

Various competition benefits of the code sharing arrangement have been discussed above and Qantas does not seek to restate those benefits in this section of the submission. However, in response to each of the factors in paragraph 5, Qantas notes the following in addition to the benefits described above:

i. *the need for Australian carriers to be able to compete effectively with one another and the carriers of foreign countries*

The code sharing arrangement facilitates competition between Qantas and other carriers, both international and domestic. Internationally, it enables Qantas to compete with SAA between Sydney and Johannesburg (Qantas believes that the economics of this route mean that it would not be viable for SAA to operate on it without the code share).

Because it allows Qantas to offer direct daily flights on the route, the code share also enables Qantas to better compete with the highly efficient Asian and Middle Eastern carriers that offer one-stop flights to Johannesburg from various Australian ports.

ii. *the number of carriers on a particular route and the existing distribution of capacity between Australian carriers*

There are currently two carriers (Qantas and SAA) offering direct services on the route, and at least six other carriers offering one-stop services via the Middle East or Asia.

If another Australian carrier wanted to enter the route, there is ample capacity (14 return frequencies per week) under the relevant air services agreement.

It is the direct result of the Codeshare Agreement that there are two competitors on each of the Sydney and Perth to Johannesburg routes. As set out above, the most likely counterfactual are single operators on each route.

iii. *prospects for lower tariffs, increased choice and frequency of service and innovative product differentiation*

The operating efficiencies of the code share enable Qantas and SAA to offer daily return services between Sydney and Johannesburg.

The code share has stimulated product differentiation by both Qantas and SAA. SAA's interline agreement with Air New Zealand allows it to offer services from New Zealand. Further, Qantas' interline agreement with Comair connects it with other points within South Africa.

The code share also enables carriers to invest in their product on the route. For example, Qantas is in the process of refurbishing some of its Boeing 747 aircraft with completely new interiors to the same standard as the Airbus 380s. Greater certainty as to its medium term strategy for the route will better enable Qantas to place these aircraft on the route.

iv. *the extent to which applicants are proposing to provide capacity on aircraft they will operate themselves*

Under the code share arrangement, Qantas operates the aircraft on services between Sydney and Johannesburg.

7.2 Tourism Benefits

i. *the level of promotion, market development and investment proposed by each of the applicants*

The underlying weakness of the South African economy will continue to be a major constraint on the development of inbound tourism to Australia. Nevertheless, in financial year 2010/2011, Qantas spent approximately AUD 345,000 on marketing activity in South Africa. By comparison, promotional expenditure by Tourism Australia in South Africa during the same period is believed to be significantly below AUD 100,000.

ii. *route service possibilities to and from points beyond the Australian gateway(s) or beyond the foreign gateway(s)*

Qantas provides strong links beyond Australia to New Zealand. SAA operates code share services with Air New Zealand on services beyond Perth. Qantas passengers link directly with the Qantas Group domestic and international services. Qantas passengers can also link with Comair services in South Africa.

SAA passengers can link to the Virgin Group's domestic and international networks, and can also link to Air New Zealand services.

Constraints in the air services agreement limit Qantas' ability to effectively compete in markets beyond South Africa.

7.3 Consumer Benefits

i. *the degree of choice (including, for example, choice of airport(s), seat availability, range of product).*

The code share arrangements mean that both Qantas and SAA maintain a competitive presence on both the Sydney - Johannesburg and Perth - Johannesburg routes. This maximises the degree of choice in the market.

Absent the code share arrangement, the route economics indicate that **[Confidential Information Redacted]**.

The code share arrangement also provides consumers with significant benefit by offering them the flexibility of flying between Sydney and Johannesburg on any day of the week. This is particularly valued by passengers travelling for business reasons.

ii. *efficiencies achieved as reflected in lower tariffs and improved standards of service.*

Improved standards of service are reflected in the daily frequencies.

There is also the potential for Qantas to place its newly refurbished aircraft on the route, but this depends to a large degree on the level of certainty it has regarding its ability to code share with SAA in the medium term.

iii. *the stimulation of innovation on the part of incumbent carriers*

Qantas and SAA compete for passengers on the route. They have both sought out ways to innovate and distinguish their offerings through interline agreements which give them access to points in New Zealand (for SAA) and South Africa (for Qantas).

7.4 Trade Benefits

i. *the availability of frequent, low cost, reliable freight movement for Australian exporters and importers*

The code share arrangement excludes the carriage of freight.

7.5 Industry Structure

i. *the extent to which applications will impact positively on the Australian aviation industry*

The code share arrangement has had a positive effect on the Australian aviation industry by enabling Qantas to add additional capacity and provide daily services between Sydney and Johannesburg.

ANNEX 1

Table 8: Qantas Sale Activity: Australia to South Africa

Date	Activity	Cabin	Price (from East Coast one way)	Price (from PER one way)	Reason
31 May 11	Sales 1-24Jun 11 for travel 1Jun - 30Nov 11	Economy	$1440	$1340	Proactive – to stimulate soft forward bookings
9 Jun 11	QF global sale. Sales 9 - 29Jun 11 for travel 9 Jun – 30 Nov 11	Premium Economy	$3219	-	Proactive
24 Jun 11	QF global sale. Sales 25 Jun – 11 Jul 11 for travel 25 Jun – 30 Nov 11	Economy	$1440	$1340	Proactive
11 July 11	Sales 11 Jul – 1 Nov 11 (extended), for travel 11 Jul – 30 Nov 11 & 16 Jan – 30 Jun 12	Economy	$1649	$1549	Proactive - QF global sale (which was extended to match SAA who offered a longer sale period)
3 Aug 11	Sales 4 - 13Aug11, for travel 4 Aug – 30 Nov 11 & 16 Jan – 30 Jun 12	Premium Economy	$2629	-	Proactive – to stimulate soft forward bookings
10 Aug 11	QF global companion sale (when buy 2 tickets). Sales 13 – 17 Aug 11 for travel 1 Oct 11 – 31 Mar 12	Business	$4698	$4219	Proactive
22 Aug 11	Sales 22 Aug – 6 Sept 11 for travel 22 Aug – 30 Nov 11 & 16 Jan – 31 Mar 12	Economy	$1420	$1270	React to SAA (SAA price $1400/$1250)
6 Sept 11	Sales 17 – 21 Sept 11 for travel 28 Jan – 31 Mar 12	Economy	$1649	$1549	Proactive
16 Sept 11	Sales 17-21 Sept 11 for travel 28 Jan – 31 Mar 12	Economy	$1388	$1209	Proactive – QF global sale
19 Oct 11	Sales 19 Oct 11 – 1 Nov 11 for travel 19 Oct – 30 Nov 11 and 16 Jan – 30 Jun 12	Premium Economy	$3169	-	Proactive – to stimulate soft forward bookings
25 Oct 11	Sales 25 – 27 Oct 11 for travel 1 Jun – 30 Sept 12	Economy	$1492	$1394	Proactive – QF global sale
1 Nov 11	Sales 2 Nov – 16 Dec 11 for travel 2 – 30 Nov 11 and 16 Jan – 30 Nov 12	Economy	$1649	$1549	Proactive – to stimulate soft forward bookings
10 Nov 11	Sales 11 – 30 Nov 11 for travel 1 Dec 11 – 31 Jan 12	Business	$5694	$5134	Proactive – QF global sale
		Premium Economy	$4070		
16 Nov 11	Sales 18 Nov – 16 Dec 11 for travel 1 Feb – 30 Sept 12	Economy	$1553	$1474	Proactive – global campaign with Flight Centre
16 Dec 11	Sales 17 Dec 11 –	Economy	$1650	$1550	Proactive – to

Date	Activity	Cabin	Price (from East Coast one way)	Price (from PER one way)	Reason
	12 Jan 12 for travel 1 Feb – 30 Nov 12				stimulate soft forward bookings
16 Jan 12	Sales 16 Jan-31 Jan 12 for travel 16 Jan-30 Sept 12	Economy	$1650	$1550	Proactive
18 Jan 12	Sales 18-31 Jan 12 for travel 1 Feb - 30 Sept 12	Premium Economy	$3169	-	Proactive
1 Feb 12	Sales 1-29 Feb 12 for travel 1 Feb - 30 Apr 12 and 17 June to 30 Nov 12	Economy	$1170	$1170	React to SAA (SAA price $1130/$1130)
4 Feb 12	QF global sale. Sales 4-8 Feb for travel 1 May - 16 June 12	Economy	$1132	$1132	Proactive
11 Feb 12	QF global companion sale. Sales 11-14 Feb 12 for travel 11 Feb - 30 Nov 12	Premium Economy	$2432	-	Proactive
		Business	$4833	$4433	
22 Feb 12	QF global sale. Sales 22-29 Feb 12 for travel 1 Apr - 30 Sep 12	Premium Economy	$3469	-	Proactive
1 Mar 12	Sales 1 Mar - 18 Apr 12 for travel 1 Mar - 30 Nov 12	Economy	$1550	$1450	Proactive –to stimulate soft forward bookings
17 Mar 12	QF global sale. Sales 17 - 21 March 12 for travel 1 - 31 May 12 and 1 Aug - 31 Oct 12	Economy	$1152	$1152	Proactive
19 April 12	Sales 19 Apr - 3 May 12 for travel 1 - 31 May and 15 July - 30 Nov 12	Economy	$1600	$1500	Proactive – to stimulate soft forward bookings
4 May 12	Ex-PER only. Sales 4-21 May 12 for travel 4 May - 31 July 12	Economy	-	$1050	React to SAA (SAA price $1000)
4 May 12	Sales 4-21 May 12 for travel 4 May - 14 June 12, and 15 July to 30 Nov 12	Economy	$1600	$1500	Proactive – to stimulate soft forward bookings
12 May 12	QF global sale. Sales 12-17 May 12, for travel 1 Sept - 31 Oct 12	Economy	$1201	$1121	Proactive - QF global sale
		Premium Economy	$2899	-	
		Business	$4711	$4311	
29 May 12	Sales 29 May - 15 June 12, for travel 29 May - 22 Nov. 12	Economy	$1560	$1460	React to SAA (SAA price $1540/$1440)

Table 9 – Return on Invested Capital (ROIC) summary for South Africa route

FY2011	Africa
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
ROIC EBIT	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
[Confidential]	[Confidential]
Inv Capital	[Confidential]
ROIC	[Confidential]%
Required ROIC EBIT @[Confidential]%	[Confidential]
Variance to required ROIC EBIT	[Confidential]

Table 10 – Australia-South Africa Origin-Destination Passengers

Passenger Type	**Trip Purpose**	**2008**	**2009**	**2010**
Outbound Resident	BUSINESS	10,228	8,014	10,891
	CONVENTION	3,140	2,307	2499
	EDUCATION	827	790	695
	EMPLOYMENT	1,084	1,047	1093
	HOLIDAY	24,327	27,176	40025
	VISITING RELATIVES	19,241	24,815	26236
	OTHER/NOT STATED	2,192	1,753	2557
	RES/VIS RETURNING HOME/OTHER	3,485	4,676	4,688
Total		*64,524*	*70,578*	*88,684*
Inbound Visitor	BUSINESS	12,426	9,287	10,067
	CONVENTION	2,600	1,522	2,012
	EDUCATION	2,148	2,167	1,801
	EMPLOYMENT	7,313	5,411	4,447
	HOLIDAY	24,049	18,515	17,905
	VISITING RELATIVES	25,347	26,210	27,362
	OTHER/NOT STATED	891	977	1,362
	RES/VIS RETURNING HOME/OTHER	11,794	11,884	9,451
Total		*86,568*	*75,973*	*74,407*
Outbound Residents andInbound Visitors	BUSINESS	22,654	17,301	20,958
	CONVENTION	5,740	3,829	4,511
	EDUCATION	2,975	2,957	2,496
	EMPLOYMENT	8,397	6,458	5,540
	HOLIDAY	48,376	45,691	57,930
	VISITING RELATIVES	44,588	51,025	53,598
	OTHER/NOT STATED	3,083	2,730	3,919
	RES/VIS RETURNING HOME/OTHER	15,279	16,560	14,139
Total		**151,092**	**146,551**	**163,091**

Source: ABS

Table 11 – Qantas Australia-South Africa Origin-Destination Passengers by Purpose of travel

Inbound Visitors and Outbound Residents	**Calendar Year**		
Trip Purpose	**2008**	**2009**	**2010**
BUSINESS	10,422	9,776	11,345
CONVENTION	2,733	2,441	2,773
EDUCATION	844	1,069	659
EMPLOYMENT	3,369	2,466	1,830
HOLIDAY	18,092	20,367	21,298
OTHER/NOT STATED	1,374	1,190	1,348
RES/VIS RETURNING HOME/OTHER	5,614	5,851	4,472
VISITING RELATIVES	16,302	20,955	18,109
Grand Total	**58,750**	**64,115**	**61,834**

Source: ABS

Table 12 – Australia-South Africa Indirect Services

Airline	**Northern Summer 2010**	**Northern Summer 2011**
Singapore Airlines		
Route	7 x 772 (5 via CPT)	7 x 772 (3 via CPT)
	SIN/JNB/CPT	SIN/JNB/CPT
Seats per week to South Africa	2,261	2,093
Flights from Australia	SYD, MEL, BNE, PER, ADL	SYD, MEL, BNE, PER, ADL
Cathay Pacific		
Route	7 x 744	7 x 343
	HKG/JNB	HKG/JNB
Seats per week to South Africa	2,653	1,855
Flights from Australia	SYD, MEL, BNE, PER, ADL, CNS	SYD, MEL, BNE, PER, ADL, CNS
Emirates		
Route	21 x 77W, 7 x 345	18 x 77W, 8 x 345, 7 x 332, 6 x 343, 3 x 772
	DXB/JNB/CPT	DXB/JNB/CPT
Seats per week to South Africa	9,240	12,873
Flights from Australia	SYD, MEL, BNE, PER	SYD, MEL, BNE, PER
Qatar Airways		
Route	7 x 777	7 x 777
	DOHJNB	DOHJNB
Seats per week to South Africa	2,193	2,193
Flights from Australia	MEL	MEL
Etihad Airways		
Route	7 x 332	7 x 332
	AUH/JNB/CPT	AUH/JNB/CPT
Seats per week to South Africa	1,834	1,834
Flights from Australia	SYD, MEL, BNE	SYD, MEL, BNE
Thai Airways		
Route	4 x 346	3 x 777
	BKK/JNB	BKK/JNB
Seats per week to South Africa	1,068	876
Flights from Australia	SYD, MEL, BNE, PER	SYD, MEL, BNE, PER

Source: OAG and Qantas Schedules Database