

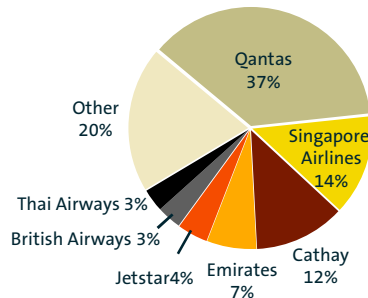
FRANCE AVIATION PROFILE

Understanding how French tourists travel to Australia

Airlines on the Route

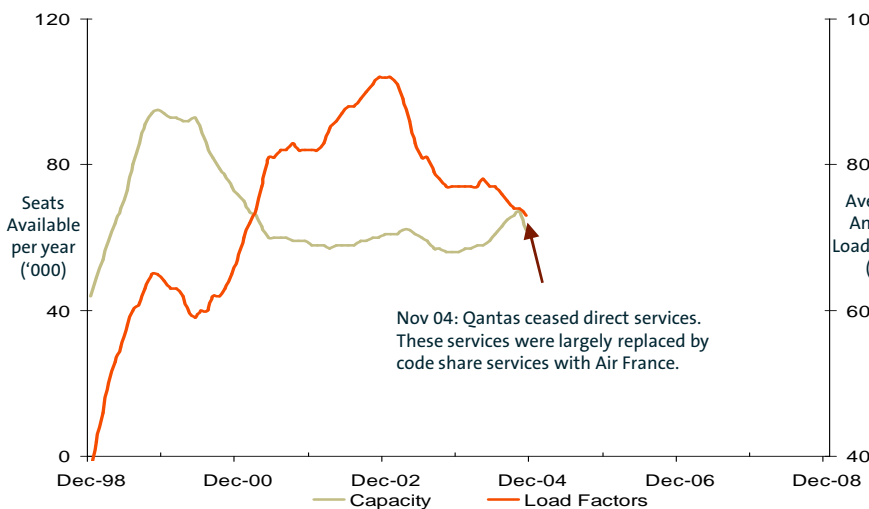
Qantas is an increasingly dominant carrier on the route, with 37% of all French tourists entering Australia on this airline in 2008. Emirates provides important access to Nice, with its market share tripling between 2004 and 2007, followed by a decline in 2008.

Share of Passengers - 2008



Airline	2004	2005	2006	2007	2008
Qantas	36%	33%	31%	33%	37%
Singapore Airlines	18%	12%	15%	11%	14%
Cathay Pacific	11%	18%	16%	13%	12%
Emirates	4%	6%	10%	12%	7%
Jetstar	0%	0%	1%	3%	4%
British Airways	3%	3%	3%	4%	3%
Thai Airways	4%	3%	3%	3%	3%
Other	23%	25%	21%	21%	20%
Total	100%	100%	100%	100%	100%

Direct Capacity: France to Australia



There were no direct services from France to Australia in 2008, only code share services operated by Air France/Qantas and services operated by intermediate carriers like Emirates.

Bilateral Capacity Restrictions: There are currently binding bilateral capacity constraints on the France-Australia route. Under the current air services agreement, carriers can only operate three services per week reducing the economic returns to operate direct services. French carriers are currently using a two thirds of their capacity allocation while Australian carriers are using none. There are also restrictions on intermediate/beyond rights and code share capacity. This agreement was last updated in 1996 and this agreement will be superseded by an EU-Australia agreement.

Looking Ahead

- The outlook for the France- Australia aviation market looks positive with moderate to strong growth forecast on the route in 2009. On 14 April 2009, Air Austral launched its twice weekly Paris-St Denis (Reunion Island near Mauritius)- Sydney-Noumea services. These services, while from Paris to Sydney, will also provide the first one-stop service from regional French cities like Marseille, Lyon and Toulouse to Sydney via St Denis. In addition, the carrier has recently entered an interline agreement with Virgin Blue improving access to Melbourne, Brisbane and Adelaide. Other capacity increases on the route in 2009 include: Singapore Airlines' planned introduction of the A380 on its Singapore-Paris services from 1 June 2009 (increasing overall capacity by almost 19% despite reducing frequency to daily from 10 per week); Cathay Pacific' additional four weekly Paris-Hong Kong services from 29 March 2009 (bringing the total to 14), and British Airways' launch of double daily services to Toulouse from 29 March 2009.
- The Qantas and Air France code share agreement appears to be working well so the carriers may consider extending it to other Asian ports after it began in Singapore and was extended to Hong Kong. Both airlines are unlikely to launch their own direct services with Air focusing on short to medium haul routes like Montreal and London City and Qantas restricted by aircraft deliveries and other priorities.
- Fuel costs affect the operating economics for airlines of very long haul routes like France to Australia. In mid-2008, oil and jet fuel prices peaked to record highs (US\$145 and US\$181 per barrel respectively) adding around A\$400 in fuel surcharges on a return trip from Europe to Australia. Since then fuel prices and associated fuel surcharges have largely fallen (despite a small rebound in 2009). In September 2008, Air France reduced fuel surcharges for the first time since August 2007 by EUR10 (approx. A\$18) to EUR111 (approx. A\$200) for long haul sectors. Similarly in October 2008, Qantas reduced fuel surcharges from A\$420 to A\$380 on a return Europe-Australia flight but further reduced surcharges in December 2008 (to A\$320) and in May 2009 (to A\$190). Despite rising fuel surcharges in 2008, demand from French tourists for Australia remained strong assisted in part by world youth day and working holiday maker travel.
- In 2009, Australia and the European Union are expected to continue their push towards a more liberalised bilateral agreement. In May 2007, Australia and the EU signed a horizontal agreement removing nationality restrictions in the existing bilateral agreements between EU member states and Australia. According to Jacques Barrot, the European Union's Vice President Transport 'this will pave the way for a comprehensive aviation agreement involving the cooperation in key areas such as competition, safety and the environment'. Initial talks were held in January 2009 with subsequent rounds of negotiations to take place during the course of the year.