SOUTH AFRICA AVIATION PROFILE

Understanding how South African tourists travel to Australia

This briefing has been prepared by the Tourism Australia Aviation & Economics Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data from Air Transport Intelligence, Bureau of Infrastructure, Transport and Regional Economics and Department of Immigration and Citizenship.

At a Glance

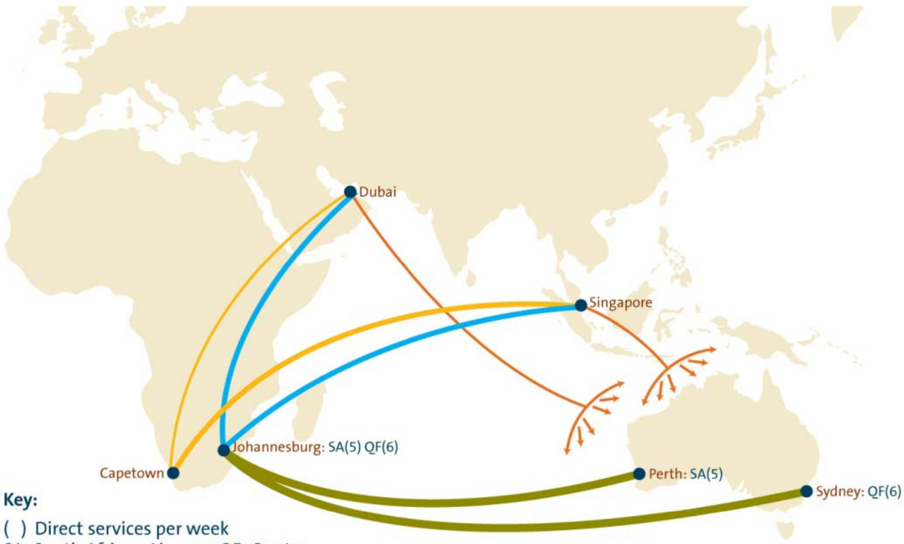
Arrivals Growth	Direct Seats	Load Factors	Major Carriers	Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2008 +8% 2009(F) +2% 2010(F) +5%	2008 0.17mil % ch -1% Rank 15th	2007 84% 2008 88% Nat. Av. 77%	Qantas 40% Sth Africa 31%	December, March/April	2 / 8	80% South Africa is a small hub for European traffic

(F) Forecast. Source: Tourism Forecasting Committee, 2008 Issue 2

Inbound tourism growth from South Africa is set to increase due to a more competitive aviation environment from 2009 onwards. Growth is largely driven by Qantas' additional Johannesburg-Sydney services with stronger growth expected if V Australia enters the route in late 2009. Either way, this additional capacity will help relieve peak demand in December and to a lesser extent in March/April. A key factor driving this growth is the recently expanded bilateral agreement between the two countries (i.e. doubling of capacity in August 2008 and further increases in subsequent years). Thus, a key aviation related opportunity on the South Africa-Australia route is to exploit capacity increases to continue the growth of inbound tourism from South Africa. However, a key challenge is to encourage more direct services to new Australian destinations.

Coming into Australia

Johannesburg-Sydney is the busiest non-stop route, closely followed by Johannesburg-Perth. Around 70 per cent of all South Africans travel to Australia on these routes, with the remainder commonly flying via Dubai and Singapore.



Key:
( ) Direct services per week
SA: South African Airways, QF: Qantas
Qantas and South African Airways code share on each others respective services
Source: Air Transport Intelligence, 13-19 April 2009 schedules

Prepared: May 2009

Feedback or Suggestions?
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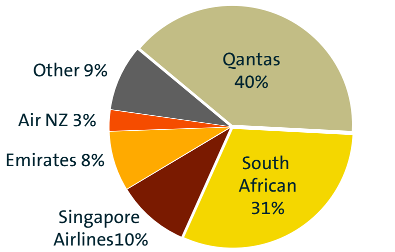
Airlines on the Route

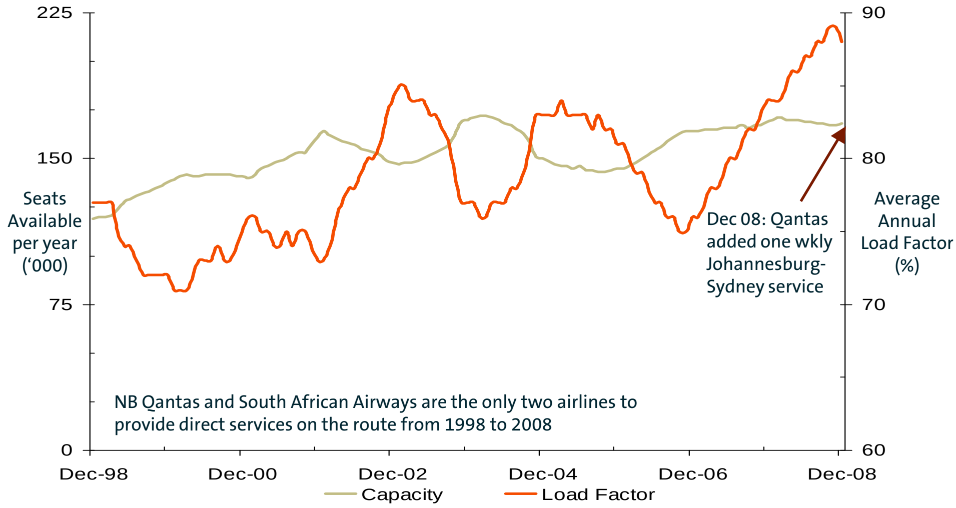
Qantas and South African Airways are the dominant airlines on the route with over 70% of all South African tourists entering Australia on these airlines in 2008. Market share of all airlines on this route however has fluctuated over time.

Share of Passengers - 2008



Airline	2004	2005	2006	2007	2008
Qantas	37%	35%	36%	43%	40%
South African Airways	35%	34%	30%	28%	31%
Singapore Airlines	10%	13%	10%	10%	10%
Emirates	5%	7%	13%	7%	8%
Air NZ	2%	2%	2%	2%	3%
Other	10%	10%	9%	10%	9%
Total	100%	100%	100%	100%	100%

Direct Capacity: South Africa to Australia



In 2008, direct capacity on the South Africa-Australia route fell by 1% year-on-year pushing load factors to record highs. This decline was chiefly due to capacity declines from Qantas (-2%) despite the airline increasing capacity in December 2008.

This route is very seasonal, with the peak travel period being December and smaller peaks in March/April.

Bilateral Capacity Restrictions: There are currently no binding capacity constraints between South Africa and Australia. Under the current air services agreement, there is approval for 10 frequencies per week with South Africa carriers using 50 per cent of their available capacity allocation and Australian carriers using 60 per cent. In August 2008 bilateral talks, the agreement was expanded from 5 frequencies per week (which was being fully utilised) to 10 frequencies effective immediately and from 10 to 14 frequencies in October 2009 and to 21 frequencies in October 2010. In addition, the regional package (i.e. the ability to operate unlimited international services outside Sydney, Melbourne, Brisbane and Perth) was made available on this route but restrictions on traffic rights and code share arrangements remain.

Looking Ahead

• The outlook for the South Africa-Australia aviation market looks positive with 20 per cent seat capacity growth forecast in 2009. This is largely driven by capacity increases by Qantas (an additional weekly Johannesburg-Sydney service in December 2008 and second weekly service in April 2009). V Australia had also planned to launch five weekly Johannesburg-Sydney services by October 2009 (a requirement by the International Air Services Commission) but this is expected to be constrained by aircraft deliveries. The next B777-300ER aircraft the airline receives (in June 09) will be used to launch its Melbourne-Los Angeles services. The following aircraft will not be received until the second half of 2010, and the airline has recently delayed subsequent deliveries until 2011 and 2012. If the V Australia service eventuates, it may be operated via Perth (to tap into the ''resource industry'' market), removing payload restrictions imposed on non-stop Sydney services using the B777-300ER aircraft. In terms of indirect capacity, Emirates launched daily services from Dubai to Cape Town in March 2008 and recently expanded its Australian services, effectively increasing capacity on the South Africa-Australia route.

• South African Airways is unlikely to expand services to Australia (or any other long haul destination) in the short term as it is currently capacity constrained. The airline is hoping to place an aircraft order in mid 2009, with the aim to replace its entire fleet by 2020 and start deliveries in early 2010 (taking advantage of near term delivery slots becoming available as airlines cut/defer aircraft orders). However, these plans might be delayed as the airline looks for a new CEO, after terminating Khaya Ngqula's employment in March 2009.

• Airfares on the South Africa-Australia route are expected to decline as competition increases, global demand weakens and fuel surcharges fall. In January 2009, South African Airways reduced fuel surcharges 33 per cent on a return South Africa-Australia flight (from USD240 to USD160) . In October 2008, Qantas reduced fuel surcharges from A$330 to A$300 on a return South Africa-Australia flight, and further reduced in December 2008 and in May 2009 to A$260 and A$170 respectively.

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