



SOUTH AFRICAN AIRWAYS

South African Airways (Proprietary) Limited
 (Postal) P O Box Q1348, QVB P O
 Sydney, NSW, 1230
 Level 2/117 York Street
 Sydney, NSW 2000
 Australia
 Management & Administration
 Tel: 61 2 9286.8958
 Fax: 61 2 9286.8991
 A.B.N. 52 086 968 176

1 February 2012

SYD/TK

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

Dear Ms McIntosh

Re: IASC DRAFT DECISION DATED 17 NOVEMBER 2011

With reference to our letter dated 23 November 2011, in response to the Draft Decision made in respect of the SAA/QF code share application, South African Airways is appreciative of the extension provided. This extension to 31 January 2012 has enabled us to evaluate our position further.

The contents of this letter is our response to the Commission on SAA's current position and the challenges facing SAA in respect of the Draft Decision dated 17 November 2011.

1. The Draft Decision approval covers only a one calendar year which makes it extremely difficult for SAA to plan for its ongoing medium and long term strategies on the South Africa / Australia route. As with most carriers, SAA's planning process, fleet acquisition and deployment strategy all normally span a number of years, and in order to be economically sustainable, generally requires a commitment and operating window beyond a twelve month period. Decisions for our global operational plans (including adjusting frequencies) normally depend on a number of longer-term planning factors and commitment periods.
2. The Australia route for SAA is already constrained by the following current uncertainty in global markets. Unfortunately, present demand is not constant and traffic movements are highly seasonal. While the Perth route for SAA is showing a small profit, this is heavily negated by the losses being incurred on the Sydney operation. As a result SAA is currently operating an overall loss on its South Africa / Australia route.
3. SAA is of the opinion that its current 6 operations per week into Perth with A340-300 aircraft adequately meets all current market requirements and customer needs. Adding an additional service at this time would be exceptionally difficult for SAA. We are challenged by two significant limitations. First, we simply do not have spare aircraft or hull time in the fleet to add another frequency. Secondly, even if aircraft were available for the mission, the present economic conditions forecast that there is insufficient demand at the moment to require an additional frequency. Adding the 7th flight very well may lower our overall load factors, increase our costs further, and as a consequence cause the Perth route to also go into a loss making situation. This would also further exacerbate the existing losses noted in Item 2 above.

Directors

CA Carolus* (Chairperson), SP Mzimela (Chief Executive), WH Meyer (Chief Financial Officer), T Daka*, TC Jantjies*, Y Kwtlana*, DH Lewie*, RM Louber*, BF Mhale*, DC Myeni*, JP Ndlovu*, LG Nkosi-Thomson*, LJ Rabbets*, ZJ Sihole*, M Whitehouse*

*Non-Executive

Ruth Kibuuka Company Secretary

South African Airways (Proprietary) Limited Reg. No. 1997/022444/07

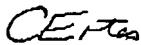
A STAR ALLIANCE MEMBER 

To summarize, SAA understands the commission's position on providing only a 12 month extension. This creates planning and operational complications for us, but in the interim, we will work within the requirements. The request for the 7th frequency, on the other hand presents a much greater, rather prohibitive, obstacle as explained above, and we would request an exemption from same.

In forwarding our submission, I trust the Commission will consider our situation and position in this regard and approve the code share to operate till 31 December 2012 with our current 6 flights per week on the Johannesburg / Perth route.

I look forward to hearing from you.

Yours sincerely,



Chahmiran Ertas
Acting Country Manager Australia

(Signed on behalf of Mark Cavaliere
Head of Global Sales Development & Alliances)

c.c. MrChristopher Samuel – International Air Services Commission