



31 January 2003

Mr Ross Jones
Commissioner
Australian Competition and Consumer Commission
PO Box 1199
Dickson ACT 2601

**A SUBMISSION CONCERNING THE 22.5% ACQUISITION OF
AIR NEW ZEALAND BY QANTAS AIRWAYS**

Dear Ross,

The Australasian Business Travel Association (ABTA) submits the following concerns to the ACCC in regard to the proposal by Qantas Airways to acquire 22.5% of Air New Zealand.

ABTA is an association committed to the professional development of Business Travel Managers in the private and public sector.

ABTA represents members at government or regulatory body level on issues that directly affect our members' ability to professionally manage business travel budgets. We also represent an industry keen to maintain competition and free enterprise.

Our members range from secretaries or personal assistants to purchasing, procurement and supply managers. ABTA's membership in Australia and New Zealand is 400 buyers and suppliers of business travel.

Our buyer membership amounts to 160 of the leading companies in Australia and New Zealand with total travel spend of approximately \$3 Billion AUD.

Therefore the proposal by Qantas Airways to purchase a 22.5% stake in Air New Zealand concerns ABTA greatly knowing the historical results of similar acquisitions.

Our Associations concerns are as follows:

- Potential for the rationalisation of the Trans Tasman and other competitive routes such as the USA, South East Asia and the Far East, through code sharing and capacity management will mean less services and increased pricing

- The possibility of Air New Zealand withdrawing from Star Alliance group affecting ABTA members who have frequent flyer points equity in this loyalty program
- ABTA is concerned that some international routes will be dominated by this new partnership agreement, leading to collusion on air fares, very little product differentiation and tightly controlled capacity.

Our members concerns are as follows:

- Increases in international business travel fares on routes where the two carriers currently compete to increase the two airlines profitability.
- Loss of their Star Alliance points and the historic benefits received as a loyal Star Alliance customer
- Increases in their business travel budgets, which in turn is inflationary as they themselves increase the prices of their goods and services to meet additional costs.
- Controlled capacity will mean less choice, less seats and subsequently less availability of discounted fares.
- Increases in the cost of cargo and the reduction in available space.
- Members feel that the 22.5 % acquisition will make business activity across the Tasman more difficult as companies seek alternatives to expensive business airfares, a loss of competition and a lack of available seats at a time that suits them.

Many of the concerns that are expressed by ABTA and its members are a reflection of the imbalance in market and capacity share within the Australian domestic air travel environment.

Ours is not a role to oppose or prevent such an acquisition but to seek support from the ACCC to ensure that there is a monitoring mechanism in place to prevent the airlines from increasing profitability at the expense of the business traveller. A mechanism that will ensure the proposed acquisition honours the airlines agreed recommendations and concessions.

ABTA would also like to see financial concessions and protection provided to new entrants to allow them to compete on a level footing and not be subject to anti competitive behaviour.

It is our opinion that business thrives through good management, competition and innovation. To remove competition will only ensure that the frequent business traveller will once again be made to pay.

To date, with the withdrawal of United Airlines from New Zealand market and the lack of an interested third party airline, the opportunity for business travel managers to maintain a level of control and cost efficiency on their travel budgets in the future looks grim.

I look forward to speaking with you or your representative further at your convenience.

Yours Truly

Glenn Buckingham

Chief Executive

Australasian Business Travel Association

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