

18 February 2003

Mr Tim Grimwade
General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
Dickson ACT 2602

Dear Mr Grimwade

Re: Applications for authorisation lodged by Qantas Airways Limited and Air New Zealand

I refer to your letter of 6 February 2003, seeking comment on the potential tourism benefits of the proposed alliance between Qantas Airways and Air New Zealand.

Westralia Airports Corporation (WAC) recognises the significance of the proposed alliance and understands that the ACCC must be satisfied the public benefit arising from the arrangements outweighs any anti-competitive detriment.

While generally supporting the proposed alliance, WAC is concerned to ensure that either Air New Zealand or Qantas continues to operate non-stop services between Perth and New Zealand. It is acknowledged the proposed alliance schedule (year 2) shows the Perth/Auckland route as growing by 1 round trip per week (compared to the current schedule of four services per week), however, we are concerned that these services may be withdrawn as the alliance becomes fully operational and Qantas exerts its influence over the planning principles adopted by the Joint Airline Operations (JAO).

Our concerns centre on previous Qantas advice that the airline had adopted a scheduling philosophy of 'directing' all Perth/New Zealand traffic through its Melbourne and Sydney hubs in contrast to Air New Zealand which continued to grow non-stop services on the Perth/Auckland route.

The fact that the Perth/Auckland route (under the proposed alliance schedule) has been restricted to frequency levels below daily, validates our concern. Given the potential to transfer passengers now travelling with Qantas via Sydney or Melbourne to a non-stop service, it could have been expected that a commitment would be given to moving more quickly to a daily non-stop service.

Any reduction in non-stop services on the Perth/Auckland route would have an immediate negative impact on levels of tourism between the two countries. Experience shows that tourists prefer to travel to places via non-stop flights, both for cost and time saving reasons.

WAC believes there is considerable untapped potential for holiday travel by Western Australians to New Zealand, given the contrast in the tourism product offered by the land of the long white cloud, compared to most other holiday options available to Western Australians within reasonable flying times. Similarly Western Australia offers New Zealanders with an Australian holiday experience vastly different to that of the east coast.

The same logic applies to tourists from other countries seeking to combine a visit to New Zealand with a holiday in Australia. Without the availability of a non-stop service, it is probable that the travel would be restricted to the east coast.

WAC believes the alliance does provide a basis to grow potentially the inbound tourist numbers for both Western Australia and New Zealand but this depends on the availability of daily non-stop services between Perth and Auckland and other cities in New Zealand over time.

Yours sincerely,

Graham Muir
Chief Executive Officer

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