

Friday, 12 May 2006



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Dear Sir/Madam,

### ***Qantas and Air New Zealand Authorisations A91001, A91002 and A91003***

Thank you for the opportunity to make a submission on the application by Qantas Airways Ltd and Air New Zealand Limited in relation to the trans-Tasman Route. As the National Industry Association for the Export Tourism Sector, the Australian Tourism Export Council (ATEC) is a significant stakeholder in trans-Tasman tourism.

Since the original application by the applicants in 2002, inbound growth from New Zealand has grown steadily. According to the Tourism Forecasting Committee the market has grown from 790,000 arrivals in 2002 to a predicted 1.093 million in 2006. New Zealand is our largest inbound market. If further growth is to be constrained, it will be, according to the Tourism Forecasting Committee, due to domestic economic factors in New Zealand.

It should also be noted that over the same period outbound growth from Australia to New Zealand has also enjoyed robust growth, from 597,000 in 2002 to 865,000 predicted for 2006.

It is the view of ATEC that there is more than adequate capacity and competition on the Trans-Tasman route. It is, in fact, a highly competitive route with significant extra capacity to grow. As the applicants have noted, there are no barriers to the expansion of Emirates, Virgin Blue or other fifth freedom carriers on the route.

While competition and capacity are vital ingredients in fostering tourism industry growth from any given market, of equal importance is the long term economic sustainability of the airlines servicing those routes. It serves neither the tourism industry nor the consumer well to have a "boom and bust" cycle of unsustainable price competition between a number of service providers followed by a withdrawal of services. The tourism industry has suffered time and time again on both domestic and international routes from this syndrome.

Both Qantas Airways and Air New Zealand are significant contributors to their domestic tourism industries. They partner their national tourism offices (Tourism Australia and Tourism New Zealand) in international marketing campaigns and provide significant material support to the development of their tourism industries. Unsustainable competition may, over time, see them withdraw some of this support as cost pressures force them to jettison non-essential costs. Again, in the long run, neither the consumer nor the industry benefits.

It is ATEC's view that the application before you represents a sensible proposal by two of the most important service providers on the route to ensure economic sustainability and to improve consumer services in a climate of vigorous competition and potential capacity growth.

The proposal by the applicants contains a number of specific benefits for the tourism industry and consumers alike. Of particular note is that it will provide greater choice of departure times throughout the day and more flexibility to change flights throughout the day (a key question for the business traveller – one of our most important and lucrative markets).

We therefore, for the reasons noted above, support the applications in question. We thank you for the opportunity to submit our views.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matthew', with a long horizontal flourish extending to the right.

MATTHEW HINGERTY  
Managing Director