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PROPERTY COUNCIL OF NEW ZEALAND

Wellington Branch,
P.O. Box 1400,
Wellington

The Director,
Adjudication Branch,
Australian Competition & Consumer Commission,
P.O. Box 1199, Dickson,
Australian Capital Territory 2602,
Australia.

10/05/06

Attention: Isabelle Arnaud.

Dear Madam,

Qantas and Air new Zealand application for Authorisation

A copy of your letter dated 19th April 2006 was passed to the Property Council's administrators for consideration. We now comment as follows:

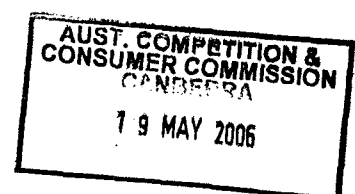
The Wellington Branch of the Property Council (whose members pay approximately 60% of the city's current total rating levy) **do not** support the proposed code share agreement.

Moreover, we are of the firm opinion that the code share would be a retrogressive step for the Wellington economy and result in a diminution of goods and passenger traffic in and out of the city. The Property Council is endeavouring to promote expanded services to the Wellington region and there is a high volume of visitors from Australia to the city for both business and leisure. Indeed, there are a number of Australian property investors and institutions active in the Wellington market. The likely results of a code sharing agreement between Qantas and Air new Zealand would almost certainly have exactly the opposite effect that we are seeking to achieve and could severely affect the increase of business activity across the Tasman.

In particular, we note:

Services:

Prior to Qantas establishing in New Zealand the lack of competition cost both the travelling public and importer / exporters dearly. No air bridges, poor airport facilities, difficult or restricted services etc. We are very afraid that reduced competition resulting from a new code sharing agreement would remove the need for both airlines to properly cater for their customers.



Future Competition:

Again the Property Council has real concerns. Air New Zealand has already shown how they can and do treat a threat to their services. When Kiwi Air began services from Hamilton to Australia, Air New Zealand immediately formed and began operating Freedom Air out of Hamilton on the same days as Kiwi Air at similar prices. Once Kiwi Air folded, the Freedom Air services were cut or severely reduced. We are very worried about the impacts if competition is removed from the Wellington routes.

Market changes since 2002

It is the Property Council's view that demand for trans-Tasman services has increased since 2003 and is likely to continue to increase in the future. Experience has shown that when seat capacity drops, total passenger numbers and freight volumes also drop. Since reduced capacity is expected from the adoption of the code sharing agreement, it follows that the likely outcome is the opposite of what could otherwise be expected. There have been no material changes to the market since 2003 that justify the code share which is essentially a marriage of convenience between two airlines at the expense of their customers. (ie) the reasons that existed to reject the 2003 proposal still pertain and if anything are stronger now than in 2003. At least in 2003 it appeared that Pacific Blue may become a large player on the Tasman, which has now been shown to be well overstated.

Future Air fares

The granting of a code sharing agreement would render it much easier the two air lines to stymie future competition or to fix / increase air fares. It would be extremely naïve to consider that this would not happen. During peak periods or for special events there would be nothing to stop the two airlines from demanding fares well in excess of those they would seek under a competitive environment.

Practicalities

If it is easy – you do it.

Business people and frequent flyers like and demand easy linkages.

To have to fly to Australian destinations from Wellington via Auckland is a real disincentive to making the journey involving :

Increased travelling times

Increased possibility of lost luggage

Problem of moving from Auckland domestic terminal to the international.

Increased possibility of disruption from weather or machinery failure or union dispute etc.

Having due regard to the above factors, we are convinced that the proposed public benefits as submitted by the applicants will in reality be substantial public disbenefits. Accordingly, we ask you to take our strong objection into account in deciding what further action should be taken in this matter.

Yours faithfully,

Brent Slater,
President,



Wellington Branch of the New Zealand Property Council.