

22 May 2006

The General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
PO Box 1199  
DICKSON ACT 2602  
AUSTRALIA

Dear Sir/Madam

**Re: Proposed code share arrangement between Air New Zealand and Qantas**

**Ref: A91001/91002/91003**

I write on behalf of Wellington City Council. We have a fundamental interest in the future success of the city, and are also shareholders (33%) in Wellington International Airport Ltd. We are prompted to make a submission to your process considering this proposal because of the former only - we have significant concerns about the possible long-term impact of such an arrangement.

Wellington City has put considerable effort into developing itself as a commercial hub and major visitor attraction over recent years. It is of course the seat of New Zealand government, and is also home to many significant companies in areas such as professional services, and film and media. All of these activities rely on a comprehensive range of air connections to and from the capital.

Our reputation as a tourist destination has grown enormously over the past decade. We host many major events such as the New Zealand round of the international sevens tournament and the New Zealand Festival of the Arts. Tourist numbers to Wellington have grown significantly and these are dependent on adequate airline seat capacity and competitive airfares. There are a vast number of options presently available to air travellers and we believe that our situation could be vulnerable to changes to these factors.

It is therefore cause for considerable concern that trans-Tasman seat numbers or a competitive pricing regime could be affected by new arrangements such as the one put forward by Air New Zealand and Qantas. A possible lessening of opportunity to travel,

and at competitive prices, on these routes would be a major loss of benefit to both New Zealand and Australian consumers.

The competition dynamics of trans-Tasman air travel are complex and we do not intend to discuss these in detail in this submission, however there are clearly issues around the ease of entry for competitors under the current and proposed situations. We believe that Wellington is proportionately more vulnerable to competition effects than airports like Auckland or Melbourne, because where there is a larger market, more airlines operate, and competition would be easier to sustain under a code share arrangement like the one proposed.

This is borne out by the current dominance of Air New Zealand and Qantas in the Wellington market. Although there is the opportunity for others to enter the market, few have, to any significant extent. The fact that competitors like Pacific Blue which already fly some routes out of Wellington have not taken up this option, is telling. The proposed code share can only strengthen the competitive position of the two major incumbents.

We urge you to examine these competition issues in detail, and in particular the ease of entry for competitors. We appreciate that this was the subject of an earlier investigation by the ACCC and ACT, and this will no doubt form a useful starting point for further consideration in light of the current situation and changes since that investigation.

In conclusion we ask you to note our abiding interest in the future success of Wellington region and that you take account of our concerns regarding any proposed code share and its potential impact.

In addition we request to be included in future communications and process around this application.

Yours sincerely

Garry Poole  
**CHIEF EXECUTIVE**