



24 May 2006

Mr Scott Gregson
Acting General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Gregson

Qantas and Air New Zealand Application for Authorisation

Thank you for the opportunity to provide a submission in relation to the proposed alliance between Qantas and Air New Zealand, termed the Tasman Networks Agreement (TNA).

The TNA as described in the applicants' submission will involve the coordination of activities between the Qantas and Air New Zealand groups in respect of any trans-Tasman services, including scheduling and planning of flights and pricing of airfares. The submission provides limited detail as to the manner in which the applicant airlines' low-cost subsidiaries, Jetstar and Freedom Air, will be treated under the proposed TNA. However, Sydney Airport understands that the coordination arrangements will apply equally to scheduled services of Jetstar and Freedom Air as they will to services of Qantas and Air New Zealand.

Sydney Airport provided comments in relation to a broader proposal put forward by Qantas and Air New Zealand in 2003 and those comments remain valid where they apply to the current conditions. However, we will take the opportunity to make some key observations in relation to the current proposal.

Services on the trans-Tasman route are currently achieving relatively low load factors compared with previous experience. For the financial year to April 2006, Sydney Airport load factors on the New Zealand routes are below the prior corresponding period despite a small reduction in the number of seats on the New Zealand routes.

Sydney Airport would expect that improved coordination of the scheduling of operations of the two airlines would rationalise their trans-Tasman services at Sydney Airport, given the excess capacity currently provided by the two carriers. To the extent that passengers can be catered for more efficiently with fewer services flown,

**Sydney Airport
Corporation Limited**
ABN 62 082 578 809

Locked Bag 5000
Sydney International
Airport NSW 2020
The Ulm Building
11th Road
Sydney International
Airport NSW 2020
Australia

Telephone:
01 2 9667 9111
www.sydneyairport.com

this would be expected to release slots at Sydney Airport and positively impact capacity outcomes by reducing pressure on aircraft parking and infrastructure such as terminal gates.

Sydney Airport charges are levied on a per-passenger basis and are correlated to the number of passengers carried rather than the number of aircraft movements, such that the airport shares the risk of varying load factors with airlines. Although it may affect services and load factors, the proposed alliance would not be expected to significantly alter Sydney Airport's revenue.

While the applicant airlines submit that there is a range of broad public benefits from the proposal, the most significant benefits are likely to be cost savings to the two airlines through coordinating operations and avoiding duplication. The Qantas and Air New Zealand submission provides little assurance that a portion of such efficiencies could be expected to be passed on to travelers through lower airfares.

There has been an increase in the level of competition on the trans-Tasman route since Qantas and Air New Zealand last proposed a form of alliance in 2003 although the applicant airlines continue to hold over 75% of the market by passengers from Sydney. The benefits from business efficiencies that will accrue from the alliance will leave the Qantas and Air New Zealand groups better placed to compete in the international aviation market. In Sydney Airport's view, the benefits arising from having a strengthened flag carrier in Qantas will be a relevant consideration for the Australian Government when it next considers further liberalisation of key air routes.

Sydney Airport supports a pro-competitive aviation market, both in Australia and internationally. The existence of airline operating alliances and other forms of joint services agreements should be taken into account as part of any consideration of broader aviation market issues.

Yours sincerely



Russell Balding
Chief Executive