

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

BY EMAIL: adjudication@accc.gov.au

Friday 19 May 2006

Dear Sir/Madam

Re: Qantas and Air New Zealand Tasman Network Agreement (TNA) application

1. Positively Wellington Tourism

Positively Wellington Tourism is the Regional Tourism Organisation responsible for marketing and promoting New Zealand's capital city, Wellington.

More specifically, we are charged with marketing the city as a leisure and business travel destination to domestic and international visitors as a means of contributing to the economic growth and development of the city. Tourism is worth approximately \$1.4 billion to the Wellington economy and Australia is our largest international market.

Positively Wellington Tourism has an independent board of Trustees appointed by Wellington City Council. To achieve our objectives we work closely with a number of partners. For example, in addition to being funded by the Wellington City Council (the Local Territorial Authority) we work with a number of private sector tourism stakeholders.

It is in this context, as a representative of the Wellington tourism industry, that Positively Wellington Tourism has worked with both Air New Zealand and Qantas to promote Wellington as a holiday and business destination for Australians. Positively Wellington Tourism also works jointly with Wellington Airport on marketing, in Australia.

Together, we have been successful in growing visitor numbers from Australia to Wellington. Air New Zealand and Wellington Airport have been, and continue to be, strong supporters of trans-Tasman marketing - promoting traffic between Wellington and Australia.

Visitor numbers have increased year on year from 121,121 visitors in the YE 2002 to 191,950 in 2005.

Because Positively Wellington Tourism is responsible for supporting the economic growth and development of Wellington we have some comments that we would like to make in respect to the TNA proposed by Qantas and Air New Zealand.

2. Commercial and Economic Realities

While we understand the competitive and cost pressures that airlines operate under and the importance of securing sustainable and commercially viable air links, we also understand the growth potential of the trans-Tasman market. Air New Zealand and Qantas are the only airlines operating between Melbourne-Wellington and Sydney-Wellington, making the actions of these airlines critical to the future growth of the Wellington-Australian market.

3. Core Principles

Based on the considerations outlined above we ask that the application for the proposed TNA is assessed in relation to the following principles:

3.1. Growing visitor numbers

Like our counter-parts in Australia, Positively Wellington Tourism has an objective to grow the number of people travelling between Wellington and Australian ports. We recognise that to achieve this we need an offer that appeals to Australian consumers.

Flight frequency, capacity and competitive pricing is essential to building a compelling offer, and therefore to continued growth. Therefore Positively Wellington Tourism is seeking assurances that the TNA will not impact on these factors, above natural market forces (such as slight movements in capacity and peak period pricing). We also seek assurances that both Qantas and Air New Zealand will remain committed to growing capacity, if the market also grows.

3.2. Marketing can grow a market

Our experience has demonstrated that increased awareness of a destination, via marketing, can lead to increased growth in visitor numbers. Over the past year we have partnered with Wellington Airport and Air New Zealand in this marketing and the early feedback from this campaign is that the market has grown, and there is potential for the market to continue to grow.

Australian consumers traditionally considered New Zealand a touring destination, flying into Auckland and then touring through the country, or flying to Christchurch for a ski holiday.

Increased regional marketing has led to changes in travel patterns, and Australians are now willing to travel to New Zealand for short holidays (4-7 days) based around a single region such as Wellington.

If we want this growth in short holidays to continue, and for Australians to retain their array of choices, then we need continued commitment from the airlines to marketing the different regions of New Zealand as well as continuing to invest in destination marketing to at least the same levels as they currently do.

3.3. Pricing and Promotional Fares

We understand that Air New Zealand and Qantas will agree "benchmark fares". We seek assurance that this will not compromise the ability of either, or both, airlines to offer affordable, competitive and promotional fares to stimulate demand in response to seasonal, market or other conditions (e.g. one-off events).

3.4. Surety of operations

While capacity, frequency and price are critical in growing the number of Australians flying to Wellington, so is surety of service and airlines with a long-term commitment to flying the routes. Therefore we respect an airline's ability to make commercial decisions to remain profitable and therefore able to invest in growing frequency and capacity.

3.5. Future Competition

While it can be argued there are few barriers preventing airlines entering the trans-Tasman market, we believe there are few airlines with the ability to expand services into Wellington. Positively Wellington Tourism has been working with Pacific Blue for a number of years to increase its capacity to and from Wellington. Despite positive feedback from Pacific Blue, there has been no increase in capacity to date. Given Wellington Airport's runway length, fifth-freedom carriers are not able to fly to Wellington.

4. Conclusion

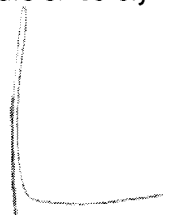
As a marketing body we understand that it is not our role to make operational decisions on behalf of our marketing partners.

However, as the body responsible for driving the development of Wellington as a visitor destination, we are compelled to comment on any activity that could impact on consumer access to our city.

Given the points above, we would encourage the ACCC to satisfy itself that in the event of any reduction in competition Qantas and Air New Zealand will continue to remain committed to growing the market through joint venture marketing and to maintaining competitive and affordable airfares, capacity and frequency.

Thank you for your consideration.

Yours sincerely



Tim Cossar
Chief Executive Officer