From: Ron Woodrow [mailto:ron@bdt.co.nz]
Sent: Tuesday, 6 June 2006 10:34 AM
To: Toohey, Carl
Subject: RE: Submissions on Air New Zealand / Qantas sharing arrangement [SEC=UNCLASSIFIED]

Dear Sir,

Our company, Black Diamond Holdings Limited, is a regular user of air travel to and from Wellington Airport, as our company is located in Lower Hutt.

We apologise for the late submission but the deadline for submissions was not brought to our attention earlier.

We strongly oppose the proposed "code share" arrangement between Qantas and Air New Zealand on the following grounds:

- The arrangement seems to have little practical difference in its effect to the 2002 merger proposal. The airlines would effectively be allowed to collude on all key competitive issues such as pricing, and their combined strength will allow them to unfairly stifle competitors. They may as well be combined into a single entity. The sharing concept seems merely to skirt around the previous decision, and is likely a halfway-house strategy that will lead in future to a renewed proposal for amalgamation.

- Air New Zealand maintains it is losing money on the Wellington trans-Tasman route. I am skeptical of this claim and I am unaware of any independent audited figures that support this assertion. In any event, it is relatively easy for any organization to adjust certain overhead charges within a business to allocate those costs where it is expedient to do so.

- However, if this is indeed the case then clearly the previous decision to disallow the merger of Qantas and Air New Zealand is working because both Air New Zealand and Qantas must be charging lower fares than they would normally do, otherwise Air New Zealand would not be making losses.

- If Air New Zealand is making losses it is doing so for strategic purposes to prevent Qantas getting more share and to keep competitors out. It must therefore be charging lower fares and providing more plentiful services than are necessary to provide optimal large profits. This is the essence of competition.

- The lower fares are clearly the reason that no other airlines have joined the other two incumbants on the Wellington segment.

- There cannot be any public benefit from allowing Air New Zealand and Qantas to effectively create a monopoly on trans-Tasman air travel. There will be less flights and the two companies will have an unfair competitive advantage over other airlines that might wish to compete. And inevitably, fares will increase substantially as competition is removed.

- If Air New Zealand really does have too many empty seats on flights across the Tasman, then surely the correct response is to lower the number of flights, and/ or reduce the size of their fleet, and/or use more suitable aircraft. Or if there is customer demand for the extra flights, despite less seats sold per flight, then the airlines could just charge more. However, perhaps doing so will in fact allow competitors to enter that market, which is what they are trying to avoid.

- If the current number of flights is necessary, then the only reason Air New Zealand is not making money is the fear that competitors will take the business. This is clearly what competition is all about.

Accordingly, we believe the current proposals should be disallowed and normal competitive pressures should shape the course of trans-Tasman air travel, not Government exemptions to competition rules.

Yours sincerely

Ron Woodrow

Chairman

Black Diamond Holdings Limited