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Raumati Beach,
Kapiti,
New Zealand

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

Dear Sir/Madam,

Re: Qantas and Air New Zealand Applications for Authorisation

I am writing in response to your organisation's invitation for submissions on the above matter, dated 19 April 2006.

I am responding as a frequent trans-Tasman business traveller and senior manager of a company with a significant Australian organisation. The costs of my trans-Tasman travel (usually once or twice per month) are met by our Australian operation.

Please note that I am making this submission personally and not on behalf of my employer.

Specifically, I would like to comment on the following points raised in your letter of 19 April 2006:

"More generally, what is your view on the current state of competition in this market, and specifically, on particular trans-Tasman routes?"

My experience over some 20 years has mainly been with routes originating and ending in Wellington. Currently, the only serious operators from and to Wellington covering multiple routes are Qantas and Air New Zealand. I understand that the TNA applicants have publicly signalled their intention to reduce capacity on certain routes including Wellington should the TNA be granted.

Freedom Air (subsidiary of Air New Zealand) operates only to Gold Coast and Pacific Blue operates direct flights only to Brisbane. While Jetstar may operate on the Wellington routes at some future time, this operator is in a

similar position to Freedom Air, being a subsidiary of one of the two major trans-Tasman airlines.

Furthermore, Freedom Air and Pacific Blue are clearly catering for the leisure traveller, with each airline operating only two weekday flights per week.

This means that the business traveller and anyone requiring direct connections from Wellington to Melbourne or Sydney must fly either Qantas or Air New Zealand.

“What is your view on the likely impact of the TNA on average air fares on trans-Tasman routes?”

I believe that pricing for peak travel times provides a useful insight into what would occur with the rationalisation and code-sharing plans proposed by Qantas and Air New Zealand – capacity constraints inevitably lead to higher prices for the consumer.

I have no doubt that this would occur should the Authorisations be granted. Businesses would have no option but to pass these cost increases on directly or indirectly to their customers, particularly given the current strength of the Australian economy.

In my view, capacity and pricing are inextricably linked – it is like any other supply and demand situation.

I am particularly concerned about the impact of the TNA on business airfares. Past experience has shown that these airlines are capable of forcing high prices onto business travellers through requiring Saturday night stays in order to qualify for reasonable fares (encouraging leisure travel while extracting much higher margins from mid-week business travellers). This was the situation in the not-too-distant past where \$1,000.00 return trans-Tasman airfares were common for weekday travel.

“In your view, would other carriers such as Pacific Blue, Emirates or other fifth freedom carriers be able to effectively constrain the pricing, capacity and scheduling decisions of the Applicants in the trans-Tasman market in the event that authorisation was granted?”

It is agreed that other carriers may be in a position to constrain pricing on the Auckland route. Given that Pacific Blue only operates direct flights from Wellington to Brisbane and Emirates does not operate from Wellington however, unless additional services are provided by these or other carriers it

is difficult to imagine adequate constraints to exist for services into or out of Wellington.

“To what extent do you consider the public benefits submitted by the Applicants will flow from the proposed arrangements?”

The details of any public benefits are currently less than clear. Air New Zealand has stated “Benefits to the consumer would include better loyalty programme advantages, a better spread of schedules, better connections to onward flights and the retention of low fares.”

Given the discussions about reducing capacity on Wellington routes, I find it very difficult to believe that there will be a better spread of schedules with better connections for Wellington flights.

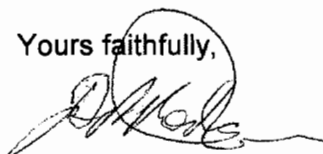
If “better loyalty programme advantages” is intended to mean more award seats becoming available then this is rather pointless unless award points are awarded for low-cost air fares. Currently Air New Zealand does not award points (“Airpoint Dollars”) for its lowest-cost “Tasman Smart Saver” fares.

Likewise, Qantas has stated that the granting of the TNA would result in “sustainable low fares, a better spread of departure times, new destination opportunities and Frequent Flyer benefits”. Again, it is difficult to believe that any improvements will be made to flight schedules and that low fares will be maintained on routes where capacity is likely to be reduced.

In summary, I believe that the granting of the TNA would be a highly regressive step from a competitive perspective. I firmly believe that approval will lead to decreased capacity and increased pricing on routes such as Wellington if not in the short-term then certainly in the medium to long-term.

I trust that this submission provides the Commission with an insight from a frequent trans-Tasman business traveller’s perspective.

Yours faithfully,



Damien Rodgers

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