



AIR NEW ZEALAND

30 October 2006

Scott Gregson
General Manager - Adjudication
Australian Competition & Consumer Commission
PO Box 1199
Dickson ACT 2602

Dear Mr Gregson

**Qantas & Air NZ - response to Infratil's *Update*, 9 September 2006
"Wellington Airport - taking an active role in the debate over the
proposed airline cartel"**

Wellington International Airport Limited (WIAL) has provided the Commission with a copy of Infratil's press-release brochure, *Update - Trans Tasman [sic] Air Market: Wellington Airport - taking an active role in the debate over the proposed airline cartel* (9 September 2006), as an attachment to its submission dated 6 October 2006.

Air NZ believes that this brochure contains a number of inaccuracies and misleading statements. This brochure has been cited extensively in the press and its contents have been widely adopted in commentary about the proposed TNA. This has resulted in biased and incorrect reporting of Air NZ's position on the Tasman. Rather than enter into a debate in the media with WIAL, Air NZ believes it is more appropriate to write to the Commission and highlight some of the more important inaccuracies contained in the brochure.

Traffic growth through Wellington airport

WIAL suggests that Air NZ has not made a meaningful contribution to the growth of traffic through Wellington. In support of its argument, it cites a 4% decline in regional passengers passing through Wellington Airport. This decline is not as a result of Air NZ's "monopoly" of regional air travel as WIAL argues. Rather, it is because our Link airlines are flying more point-to-point services, such as Nelson - Hamilton and Hamilton - Christchurch. These direct regional services have meant that regional flights are now by-passing Wellington airport, providing a faster and more convenient service for passengers. Indeed, Air NZ has grown passenger numbers through Wellington by 11% for international passengers and by 39% for domestic passengers over the past 5 years.

Asset Utilisation

WIAL states that "not only are the two airlines in good shape, but the Tasman itself has all the elements for a profitable operation". It states that Air NZ has a "very high utilisation of aircraft", higher than for other shorthaul operators internationally. WIAL has chosen selectively to cite Ryanair as the benchmark for asset utilisation on shorthaul routes. However, Air NZ notes that Ryanair does not represent the norm, with other operators, such as GOL and Jet Blue, having similar operations to Ryanair but asset utilisation in excess of 13 hours per day (TRL 2005).

In addition, Air NZ refers the Commission to its EBIT data already provided.

Load factors

WIAL states that Qantas and Air NZ currently achieve load factors on the Tasman that are "perfectly normal". This statement is incorrect. Air NZ's load factor on the Tasman for the year ended June 2006 was 69.4%, declining from 75.3% for the year ended June 2003. Air NZ's network-wide international load factor was 73.4% for the year ended June 2006.

Furthermore, the load factors on the Tasman are low by international standards, reflecting the over capacity currently available of the Tasman. By way of example, the average load factor for European scheduled traffic was 76.9% in 2005 and for the major United States carriers it was 79.7% over the same period.

Air NZ's yields on the Tasman

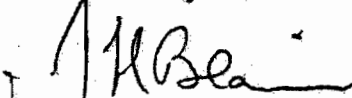
WIAL provides yield estimates for the Tasman, stating that the yields are comparable to those that prevail in other profitable markets. It states that Air NZ's Tasman yield is 15.1cents/RPK based on WIAL's estimate from MIDT Data. This estimate is grossly inaccurate. WIAL has overstated Air NZ's yield by [RESTRICTION OF PUBLICATION CLAIMED]. Thus, the conclusions that WIAL draws based on these inaccurate estimates must be disregarded.

Airport Charges

WIAL states that "emotive claims are being made about airport charges" and that the airlines have launched a campaign on airport charges to "deflect attention from the 'code share' proposal". To ensure that any debate on airport charges remains objective, Air NZ has commissioned PricewaterhouseCoopers to independently review benchmarks of revenue generated by airports internationally. Its review has compared the charges incurred for the turnaround of an A320 aircraft (an aircraft type we typically use on the Tasman) at 52 airports around the world, including within Australasia. This review has confirmed that Wellington Airport ranks as the 6th most expensive airport of those 52 surveyed, in relation to charges for an A320 aircraft.

Air NZ is concerned that the factually incorrect statements made by WIAL/Infratil have been adopted by the media in its commentary regarding the proposed TNA. We hope that this letter highlights some of these inaccuracies.

Yours faithfully



John Blair
General Counsel & Company Secretary

EXCLUDED FROM
PUBLIC REGISTER