



Australian Government



Tourism Australia

4 June 2010

Mr Darrell Channing
Director
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Channing,

Thank you for the invitation to comment on Virgin Blue Airlines Pty Ltd & Ors applications for authorisation A91127 & A91128.

New Zealand is Australia's largest inbound market with 1.1 million New Zealand tourists visiting Australia in year ended March 2010 (Source: Australian Bureau of Statistics, Overseas Arrivals and Departures). This represents around 20% of total inbound tourist arrivals to Australia. Strong aviation capacity and competition on the New Zealand-Australia route is vital to continued growth of this important market and to enable Tourism Australia to fulfil its role. Tourism Australia's role is to grow demand for both leisure tourism (international and domestic) and business events (international) and to support industry to increase visits, dispersal and economic value.

The trans-Tasman aviation market is a highly competitive route with low fares continuing to stimulate tourism between New Zealand and Australia. Both Virgin Blue (through its subsidiary Pacific Blue) and Air New Zealand are important carriers on this route, servicing key trunk routes as well as smaller regional routes. While Air New Zealand has demonstrated strong commitment on the trans-Tasman route since 1940, Pacific Blue has more recently (January 2004) entered the route and has significantly grown services and gained market share. Virgin Blue and Air New Zealand, like other carriers on the route, continue to invest in product upgrades, providing inbound tourists with numerous options and high quality product.

Tourism Australia understands analysis of the carriers' market share is also an important determinate when considering such applications. In terms of direct capacity on the route (as reported by the Bureau of Infrastructure, Transport and Regional Economics), Air New Zealand's (including Freedom Air) market share has declined in the last five years from 43% in year ended March 2005 to 37% in year ended March 2010. During the same period, other carriers market share have increased such as Qantas including Jetstar (from 30% to 32%), Pacific Blue (7% to 17%) and Emirates (12% to 13%). While Air NZ and Pacific Blue's combined market share was 53% in year ended March 2010, their

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market share is more comparable to other carriers for many individual routes (particularly the busiest, trunk routes).

If you have any questions regarding the above information, please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew McEvoy', with a horizontal line underneath it.

Andrew McEvoy
MANAGING DIRECTOR