

24 September 2010

Darrell Channing  
Director, Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra  
ACT 2601 AUSTRALIA

**Further Submission in Response to ACCC Draft Determination:  
Applications for Authorisation of Virgin Blue and Air New Zealand  
Airline Alliance**

Thank you for the opportunity to consider the ACCC's draft determination dated 10 September 2010.

NZ Airports does not request a pre-decision conference, but if such a conference is held, we ask to be advised so that we can consider attending.

**Comments of the Draft Determination**

NZ Airports agrees with the ACCC conclusions, given the evidence provided by the applicants to date, that the proposed alliance is likely to reduce competition in trans-Tasman air passenger services, and that the possible public benefits would not outweigh the detriment caused by the lessening of competition.

We have previously submitted (16 June 2010) that airports in New Zealand have observed that increased competition in the trans-Tasman market leads to increased passenger numbers, lower fares and improved services. We therefore expressed concern that, under the proposed alliance, market power would enable prices to be increased with resulting decreases in demand and capacity, and we noted that the impact may be especially detrimental on particular routes.

NZ Airports therefore emphasises its support for the draft determination with regard to:

- Para 5.37 – the need to have regard to particular trans-Tasman routes where substitution possibilities are likely to be constrained
- Para 5.206 – not accepting that the alliance will promote competition in the trans-Tasman market

- Para's 5.341 to 5.344 – the presence of an independent competitor making the difference between effective and ineffective coordination (by initiating price wars, aggressively discounting etc.)
- Para 5.360 – concluding that fare increases would be likely on a number of trans-Tasman routes that collectively account for a substantial proportion of passenger traffic.

### **Further information**

We note that the ACCC has invited the applicants to provide additional information in some areas, and also that the timeframe for consideration of the applications is proposed to be extended to 20 December 2010. Should additional information come to hand we look forward to a further opportunity to provide comment.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kevin Ward', written in a cursive style.

Kevin Ward  
Chief Executive