

Department of Economic Development, Tourism and the Arts
TOURISM TASMANIA

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FILE No:
DOC:
MARS/PRISM:

Richard Chadwick
General Manager Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Sir,

ACCC Consideration of a Potential Commercial Relationship between Virgin Blue and Air New Zealand

I write in support of the application from Air New Zealand and Virgin Blue in respect of Trans Tasman services noting the ACCC in its draft determination issued 10 September 2010 has denied authorisation for the airlines to operate an alliance on Trans-Tasman services. I further note that the ACCC has invited the Applicants to provide information to substantiate the public benefits claimed. My letter to you presents Tourism Tasmania's perspective on this opportunity.

According to Tourism Research Australia's International Visitor Survey, slightly less than 13,000 visitors from New Zealand came to Tasmania in the twelve months ending June 2010, a reduction of some 23% over the same period to June 2009, with the actual nights spent in Tasmania by those visitors down a staggering 50% year on year. We view this issue with concern due to the importance placed on international visitors to our tourism industry and given that this has occurred over a period when visitors from New Zealand to Australia overall have grown by 2%.

While Jetstar has increased services to New Zealand in recent times, the majority of their non hub activities to and from that destination have been to regional centres in the northern part of Australia and typically connecting with Christchurch only. We believe that initiative has not necessarily worked well for Tasmania and that short of direct services to and from Tasmania to New Zealand, we believe growth from that market to this state can be best facilitated by additional code share activities from carriers presently servicing trans Tasman routes that have extensive regional networks.

The proposed alliance between Air New Zealand and Virgin Blue will connect many regional centres in Australia and New Zealand through code share arrangements and for Tasmania that provides new opportunity for New Zealand visitor growth given many origins in New Zealand will now be connected to both Hobart and Launceston directly (albeit by a code share partner). We do not agree that will inhibit competition on the trans Tasman route, but instead, for regional destinations, will provide additional competitive opportunities given the multiple destinations in either country potentially directly connected in the eyes of the customers.



We note both Air New Zealand and Virgin Blue indicate that the proposed alliance is about working closely together to give customers cheaper fares, increased frequency and better connections. We support that statement and also believe the circumstances of the alliance will in fact deliver that on the trans Tasman route given the proposed integration of schedules and capacity, allowing customers to book multi-sector journeys on one code, providing reciprocal loyalty scheme benefits and reciprocal lounge access for qualifying customers.

Those benefits will be an attractive proposition for leisure and business travellers who may have thought travel to Tasmania was just a bit difficult due to the need to change airlines mid journey (and collect and recheck baggage) for what is really a relatively short haul domestic journey, albeit between countries.

In finalising your view on this application I would encourage you to consider the issues I have raised in this letter and particularly the benefits the proposed alliance can bring to regional destinations on both sides of the Tasman.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Rowan Sproule', written in black ink.

Rowan Sproule,
Acting Chief Executive Officer

8th October 2010