



Tourism New South Wales
Office of Leslie A. Cassar AM, KSJ
Chairman

FILE No:
RISM

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

Dear Mr. Chadwick

I write to lend support to the proposed alliance between Air New Zealand and Virgin Blue.

New Zealand is currently the largest source market for international visitors to NSW; it contributed 367,500 visitors or 13.2% of total inbound to NSW for the year ending June 2010. The New Zealand market also has the highest rate of repeat visitation of any international market; an impressive 93.7% in year ending June 2010. Outbound travel from Australia to New Zealand is also substantial.

The significance of the New Zealand market provides a rationale for maintaining a high level of competition on the Trans-Tasman route. The proposed alliance will help to ensure appropriate service access and price competitiveness for these consumers. Maintaining and improving cost-effective leisure and business travel between New Zealand and Sydney/NSW is an important strategic goal that supports Sydney's growing economy and its role as a global financial and business services hub for the Asia Pacific region.

While the current strength of the Australian dollar may have an impact on more immediate tourism benefits derived from increased competition on the trans-Tasman route, in the longer term, the alliance should deliver a positive outcome for consumers and the NSW economy. Given the strong commercial and social linkages between New Zealand and NSW it is difficult to envisage circumstances in which commercial arrangements conducive to maintaining strong competition on this route would not be supported.

Any rationalisation of schedules by alliance carriers could have positive consequences for utilisation of Sydney Airport, especially during peak periods. Also the possibility of slots held by Alliance carriers becoming available to service growing demand on other routes could also deliver flow-on benefits to air travel. There may be a concern that any schedule rationalisation would lead to some reduced seat capacity, however, this concern could be managed by the Commission through conditions to safeguard capacity over time. I do not consider support should be dependent on these safeguards being put in place, though the Commission may consider them appropriate in any approval which is forthcoming.

From a tourism perspective, the proposed alliance between Air New Zealand and Virgin Blue will produce public benefit through greater service choice and the maintenance of downward pressure on air fares and is more likely to promote than lessen competition in the trans-Tasman market over time.

Yours sincerely,

Leslie A. Cassar, AM
Chairman
Tourism NSW Board

