

**Virgin Blue/Air NZ Application for Authorisation of Australasian Airline Alliance  
ACCC Pre-Decision Conference Submission  
Wellington International Airport Limited (WIAL)**

18 October 2010

WIAL welcomes the opportunity to appear at the pre-decision conference. WIAL notes that the recently released Applicant's response to the ACCC draft decision includes material changes to the Application, most notably proposed authorisation conditions in relation to capacity maintenance and growth.

WIAL is pleased that the Applicants have included undertakings on capacity and, subject to the detailed comments below, WIAL no longer opposes the proposed Alliance.

WIAL generally considers strong competition to be the best way to achieve strong quality and price outcomes for consumers. WIAL has recognised, however, that the proposed Alliance has a number of potential benefits, including:

- a wider network of connections within Australia, New Zealand and beyond;
- an increased likelihood that additional direct destinations and frequencies will be viable, which could stimulate additional traffic;
- the ability to improve schedules; and
- reciprocal lounge and other frequent flier benefits.



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WIAL had considered that the reduction in competition would allow for an increase in price and a decrease in capacity and that this potential detriment outweighed the above benefits. However, commitment to capacity being maintained and increased mitigates a substantial amount of the potential detriment of the Alliance proposal. Capacity and price are strongly correlated and therefore a commitment to flown capacity is considered to act as a protection against unilateral price increases. It is considered unlikely that it would make commercial sense for the Applicants to fly at substantially lower load factors.

WIAL would appreciate an opportunity to provide detailed comments on the proposed authorisation conditions and other new material. An initial review suggests that clarification of the currently confidential numbers and some tightening of wording may be required. In this regard:

- WIAL assumes that the committed capacity will at least equate to the capacity advised by the Applicants to the Wellington Stakeholder Group;
- the words "make available" in clause 2 of the conditions require clarification to ensure that the committed capacity translates to the number of seats actually flown;
- It appears to WIAL that the opportunities for the Applicants to seek variations of the commitments are defined broadly and it is not clear to WIAL how the ACCC may assess any such application.

We hope that the above comments are helpful to the ACCC and we are happy to answer any questions the Commission may have.



**Steven Fitzgerald**

**Chief Executive Officer**

**Wellington International Airport Limited**

