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**J u m p j e t   A i r l i n e s   L i m i t e d**

P O Box 30031  
Lower Hutt  
New Zealand 5040

3 April 2012

Ref: Leg/12.1/03.3

The General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
CANBERRA ACT 2601  
Australia

Phone: 612 6243 1124

Dear General Manager,

Subject: **Virgin Australia and Air New Zealand – application for variation to conditions of authorisation A191227 & A91228**

We have considered our position in relation to the recent application for an additional variation to the equity/marketing alliance between the **Virgin Australia** Company and **Air New Zealand**. As we understand, this approved Code Share alliance is applied within the Single Aviation Market (SAM) and certain international routes.

Our comments are based on the response to you of previous applications and a Jumpjet Airlines perspective from a planned operational point of view.

We have the following analogy.

**On the basis of previous comments made we address the following issues: -**

- *Whether the proposed variation to the Conditions is necessary, having regard to the impact of the Christchurch earthquake and subsequent seismic activity on demand;*

The variation sought is reasonable under the circumstances being brought about by the Christchurch earthquake and subsequent seismic activity. Demand has been impacted unfavourably by this natural phenomenon, which has significantly reduced load factors for operators due a number of factors. One being the migration patterns of Christchurch residents. Many have departed the city and re-established elsewhere. Also tourism has suffered in terms of tourist expenditure and overnight stays as the numbers of tourists travelling to/from and within the region has decreased.

- *The impact that the variation is likely to have on competition on the services to and from Christchurch;*

Christchurch International Airport has experienced a distinct reduction in passenger traffic through its passenger terminal. Overall there has been a drop of almost 7% in passenger numbers. Internationally the decrease has been up to 11% in 2011.

Competition by airlines cannot feasibly continue without break-even load factors. Operating at significant losses is not the basis for fair competition. Services must be reduced to preserve airline economics when negative cash flow becomes prominent.

→ *Whether the proposed variation would change the balance between the public benefit and detriment (as set out in Chapter 5 of the ACCC's Determination dated 16 December 2010) for the overall alliance between Virgin Australia and Air New Zealand;*

There is no justification to claim public benefit for any alliance in the Trans Tasman market.

The earthquake activity has severely damaged the CBD and many surrounding suburbs. New damage is continually occurring or being discovered with on-going engineering evaluation.

The rebuild of Christchurch CBD and affected suburbs may change the impact of the questions put in the future. However, presently airlines have little choice but to respond to reducing capacity demand.

Thank you for the opportunity to comment on this matter.

Cordially,



Nick Kile  
Managing Director

cc. CEO, Ministry of Transport – New Zealand