



24 July 2013

Dr Richard Chadwick
General Manager - Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT
AUSTRALIA 2061

By email: adjudication@acc.gov.au

Dear Dr Chadwick

Draft Determination: Virgin Australia and Air New Zealand – Authorisations – A91362 & A91363

Queenstown Airport Corporation Limited (QAC) owns and operates Queenstown Airport which is the gateway to the Central Otago and Southern Lakes tourist regions on New Zealand. The Queenstown Airport is the fourth largest international airport in New Zealand yet it is a lot smaller than New Zealand's main international airports of Auckland, Wellington, and Christchurch.

We are restricted in the size of aircraft we can accept and can not receive wide bodied jet. Yet QAC has carved out a niche with trans tasman international flights from the East Coast of Australia.

The ACCC's Draft Determination dated 10 July 2013 for the Australasian Airline Alliance Agreement between Virgin and Air New Zealand (the Alliance) explores the prospects for the Alliance to reduce competition on the three trans tasman routes operating into Queenstown today; Queenstown-Sydney; Queenstown-Melbourne and Queenstown-Brisbane.

The draft determination finds it is not appropriate to renew the Alliance on an unconditional basis and proposes to grant conditional authorisation for three years. QAC supports this position. With regards the specific Queenstown routes, we have summarised the ACCC's position and QAC's response below.

Queenstown-Sydney

Draft Determination findings

There is an increased risk of coordinated conduct by the Alliance on the Queenstown-Sydney route but there is no evidence of this having occurred.

Draft Determination Proposal

The ACCC will monitor behaviour on the Queenstown-Sydney route going forward.

QAC's position

QAC accepts the finding and proposed monitoring of the routes performance.

Queenstown-Melbourne

Draft Determination findings

The Alliance is unlikely to increase the ability and the incentive for Virgin and Air New Zealand to reduce capacity on the Queenstown-Melbourne route.

Draft Determination Proposal

No undertakings are required for the Queenstown-Melbourne route.

QAC's position

QAC accepts the finding.

Queenstown-Brisbane

Draft Determination findings

The Alliance is likely to increase the ability of Virgin and Air New Zealand to reduce capacity on the Queenstown-Brisbane route.

Draft Determination Proposal

The ACCC will require a capacity commitment from the Alliance for this route, and particularly will require the Alliance to maintain at least a base level of capacity, subject to a growth factor, on the specific Queenstown-Brisbane route.

QAC's position

QAC accepts the finding and the general proposal to require a capacity commitment from the Alliance for this route. QAC submits this capacity commitment is better covered in a commitment to cover total capacity on the South Island - Brisbane routes; namely Christchurch-Brisbane, Dunedin-Brisbane, and Queenstown-Brisbane.

The ACCC explores the concept of protecting total capacity across a number of routes in the draft determination at paragraph 590. In that paragraph it identifies the benefit of the approach to allow flexibility to respond to changes in market conditions. QAC supports this approach.

The draft determination concludes at paragraph 595 that this approach is appropriate and is proposed for routes based on Christchurch and Dunedin. QAC submit the better focus would be securing capacity into and out of Brisbane.

QAC note in paragraph 590 the ACCC discusses the difference in route size, growth, and passenger mix. We submit the references are mixed up and do not add much to the findings. For example, we do not understand the 28% grown in capacity on the Brisbane-Queenstown route as this is not supported by Table D.16. Also comparing travellers on routes to Queenstown with travellers on routes to Wellington adds little as the destinations are in different Islands.

Thank you for the opportunity to make this submission.

Yours sincerely



Scott Paterson
Chief Executive Officer
Queenstown Airport Corporation Limited