



12 April 2013

Dr Richard Chadwick
General Manager
Adjudication Branch
Australia Competition & Consumer Commission
GPO Box 3131
Canberra
ACT 2601
Australia

Dear Dr Chadwick

Virgin Australia & Air New Zealand applications for authorisation A91362 & A91363 – interested party consultation

This submission is made by Dunedin International Airport Limited (DIAL) to the above applications by Virgin Australia and Air New Zealand (Airlines) who seek authorisation to maintain and continue the Australasian Airline Alliance Agreement (Alliance Agreement) and associated Code Share Agreement on an unconditional basis for a period of five years from 31 December 2013.

DIAL is the owner and operator of Dunedin Airport which the Airlines operate air services to and from Brisbane, Sydney and Melbourne in accordance with the “conditional” Alliance Agreement which came into effect on 7 January 2011 and expires on 31 December 2013.

The Brisbane – Dunedin – Brisbane route is operated year round and is specifically identified in the Alliance Agreement and is subject to capacity conditions specified in this agreement. The Sydney and Melbourne routes to and from Dunedin however, have been operated by the Airlines on a seasonal basis only during the period of the current Alliance Agreement and are subject to the general conditions only of that agreement.

DIAL advises that;

- **it does not support the renewal of the Alliance Agreement on an ‘unconditional’ basis however;**
- **it does support the renewal for a five year period from 31 December 2013 with ‘conditions’ imposed.**

It is DIAL’s view that the conditions imposed on a renewed Alliance Agreement should be those which were imposed on the current Alliance Agreement. It could however, be appropriate to remove or add conditions where the current market and operating environment has materially varied from that on which the original conditions were based.

DIAL offers the following comments in support of its view that a “conditional” approval for the renewal of the Alliance Agreement is necessary:

- For the Brisbane – Dunedin – Brisbane route, market and operating conditions remain largely unchanged to those which existed at the time when the current Alliance Agreement was approved. To ensure that the market continues to be serviced with capacity, frequency and competitive fares the specified capacity conditions for this route must continue in a renewed Alliance Agreement.
- The Sydney and Melbourne routes to and from Dunedin are not subject to specified capacity conditions but, subject to the general and overall conditions of the current Alliance Agreement. Since the commencement of the current Alliance Agreement these routes have been operated by the Airlines on a seasonal basis. At the commencement of the Alliance Agreement these routes were operated for the three month period of December to February. For the last two years the Airlines have reduced the seasonal period to two months, i.e. December and January. This reduction of service has impacted negatively on the market with Dunedin origin and destination passengers for an increased period, having no alternative but to use other New Zealand airports for their trans-Tasman travel and therefor, incurring additional time and costs for undertaking their travel arrangements.
- To ensure that the market is not disadvantaged to the benefit of the Airlines, DIAL contends that the Sydney and Melbourne routes to and from Dunedin be subject to specified conditions to ensure that the level of capacity and frequency is no less (but, subject to the growth conditions) than that at the commencement of the current Alliance Agreement.

Thank you for the opportunity to make our submission and we remain available for any further communication required on this matter.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'John McCall', with a small flourish at the end.

John McCall
Chief Executive
Dunedin International Airport Limited