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The Commerce Commission
PO Box 2351
Wellington

Attn Ms Janet Whiteside

Submission on the proposed Air New Zealand and Qantas alliance

This submission is to oppose the proposed alliance between Air New Zealand and Qantas. I believe an alliance between these 2 carriers is both **anti-competitive** and not in the **national interest**.

I am a user of both the domestic and international air route networks as well as running an import and export business that uses the freight capacity of international air carriers.

Currently only Air New Zealand and Qantas service the domestic network.

Air New Zealand and Qantas dominate the Trans-Tasman and other international routes. [Even more so with United Airlines recent withdrawal from the NZ market]

Clearly, a merging of their interests will change them from competitors to 'bedfellows', effectively eliminating competition in the case of domestic travel and drastically reducing it in the case of international routes.

This will result in **anti competitive behaviour** by these 2 carriers with increased prices, as competitive forces will not be present to keep them low. **The national interest** will also not be served. Firstly by these price increases for both passengers and freight, and secondly by reduction service standards, routes [especially provincial domestic] freight capacity and timetables.

While both carriers in their submissions to you will claim Qantas and Air New Zealand will operate independently and competitively, in reality this is highly unlikely at best. While ostensibly being separate entities, the 'behind the scenes' interactions will ensure anti competitive behaviour will occur but be hard to prove.

These 2 carriers will also submit to you that any other carrier can set up in competition with them. While this is theoretically true, in reality both Air New Zealand and Qantas have an appalling record of predatory actions toward smaller and newer competitors starting up.

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Media releases by Air New Zealand would suggest they would claim that 'they must merge to survive'. In reality, the Air New Zealand board has a culture and history of poor management. An alliance for the Air New Zealand board is an easy option for them personally, as managing a monopoly is easy. Unfortunately, this 'easy option' for them will be to the detriment of the whole of the rest of the country. I also am doubtful about Air New Zealand's reported poor financial results. These are very convenient as an argument for the proposed alliance, however their actual validity should be strongly doubted.

Finally, the government's actions in relation to this proposed alliance may lead you to believe it has given its tacit approval. You are strongly urged to ignore the implied thoughts of your employer [the government] and have the courage to exercise the impartiality you are charged with in this role.

Yours faithfully



John Kershaw