

Mr Walsh

L/5/

18 July 2003

The Chairman
New Zealand Commerce Commission
Level 10
44-52 The Terrace
P.O. Box 2351
Wellington
New Zealand

Dear Sir,

Cross Submissions by Invercargill Airport Limited (IAL) re: Response by the Applicants to the Draft Determinations in the matters of;

APPLICATIONS BY AIR NEW ZEALAND AND QANTAS (The Applicants)

This is the third submission made by Invercargill Airport Limited on these matters and reference is made to the first and second submissions dated 11 February and 19 June 2003, respectively.

In particular, the attention of the Commission is again drawn to Section 1.2, Page 8 of the latter submission headed "IAL's Observations".

Those observations remain valid.

Having reviewed the original Applications and all the subsequent material presented by interested parties and the Applicants as well as the Commission's Draft Determinations and the Applicant's responses to them, IAL does not perceive the latter as having made any concessions to the issues it previously raised.

Thus, IAL advises the Commission as follows;

1. The New Zealand national flag airline was financially rescued on the grounds that it is essential to the maintenance and future growth of the nation's tourism industry. IAL supports the position taken by the government on behalf of all New Zealand Taxpayers but submits that along with that rescue should come an obligations on the airline to apply some portion of its resources to the

development of tourism in the Southern Tourism Region using Invercargill as a gateway airport.

2. It has been identified that New Zealand's national flag airline has no accountability to Parliament, notwithstanding the government's substantial equity investment. In the absence of the State's ability to act the responsibility must, therefore, devolve upon the Commission to employ its powers to address that deficiency in terms of the Applications and impose appropriate obligations on the Applicants to deliver tourism benefits in the Public Interest and in the manner recommended by IAL.
3. IAL notes from submissions by airports in other regions such as Dunedin and Christchurch how much benefit has been derived from their development as international airports by the national flag airline or its subsidiaries and the importance these airports place on continuance of those air services. IAL believes that similar benefits are available to its tourism region but are denied both to the region and to the country in the absence of suitable air services. This is notwithstanding the stated willingness to negotiate concerning any commercial risk that may be perceived by an airline operator. IAL repeats its contention that any approval of the Applications be qualified by the imposition of a condition on the Applicants requiring them to undertake Trans Tasman flight operations from Invercargill.
4. The means originally proposed by the Applicants (and reinforced by the new Chapter 11 of the Applicants' responses to the Commission's Draft Determinations) to deliver increased earnings from inbound tourism to New Zealand appear to be focused primarily on booking mechanisms that suggest the airlines are the primary generators of tourism. That stance ignores the fundamental importance of ground infrastructure in the tourism equation and highlights the frustration being experienced in the Southern Tourism Region by investors and businesses that are currently being denied a significant opportunity for growth with no prospect of relief being proposed by the Applicants.

Conclusion

IAL concludes that nothing has subsequently been contributed, by the Applicants, or any of the other interested parties, that would lead to amendment of, or addition to, its first and second submissions or the recommendations already made.

IAL believes, therefore, that a suitably qualified approval of the Applications along the lines it has proposed is required to address the paucity of firm proposals in those Applications to deliver the identified Public Interest benefits to the Southern Tourism Region.

Refer:

IAL's second submissions of 19 June at Section 1.3, Pages 9 & 10 "Recommendations to the Commission"

And;
Second submissions Pages 18 & 19 “Conclusions”

IAL reiterates its wish to be heard on these matters and an appointment to appear at the Commission’s conference would, therefore, be appreciated.

Yours faithfully

A handwritten signature in black ink, appearing to read "Norman McRae". The signature is written in a cursive style with a large initial 'N' and 'M'.

Norman McRae
CHAIRMAN

NM LJ
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