



MAJOR ACCOMMODATION PROVIDERS
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SUBMISSION TO THE NEW ZEALAND COMMERCE COMMISSION
FROM MAJOR ACCOMMODATION PROVIDERS
ON THE PROPOSED STRATEGIC ALLIANCE BETWEEN
AIR NEW ZEALAND LTD AND QANTAS AIRWAYS LTD

Introduction: Major Accommodation Providers is an incorporated society comprising around 100 hotels representing international chains and privately-owned hotels in New Zealand. Members are significant investors with properties providing over 12,000 beds around the country. Many have long-term management, employment and goods and services contracts in place. All are committed to delivering quality, value-for-money experiences to a growing number of domestic and international visitors. While the Society encourages transparent competition as opposed to regulation, and agrees in principle to the proposed strategic alliance between the above two parties, it has a particular interest in the outcome of five specific areas.

These are:

- 1. Sustaining a successful national airline in an “open skies” regime**
- 2. Maintaining New Zealand’s brand and promotional spend**
- 3. Expanding trans-Tasman airline services**
- 4. Meeting capacity, fare and visitor expectations into and out of New Zealand**
- 5. Delivering as promised by all parties**

Sustaining a successful national airline

In past years Air New Zealand had a mixed reputation, particularly domestically. Many travelers had justifiable complaints with the airline’s services, cost of fares, timeliness, catering and perceived “arrogant” delivery. However, with the entry of Ansett with new lounges, air bridges and cheerful service, overall performance improved markedly. Freedom Air was established which increased trans-Tasman capacity at significantly reduced fare and service levels.

Without competition, would this have happened?

When Ansett withdrew, so did some of Air New Zealand’s regional capacity. Some smaller airlines met the demand but the most profitable routes had been cherry-picked.

Air New Zealand's recent introduction of Express Class has lowered fares, but questions remain as to whether capacity and affordability for both passengers and freight will continue.

What assurance do we have that national air services will not only maintain current improvements but continue to build affordable capacity as tourism spreads into the regions?

What assurance is there that the proposed alliance will result in a successful national airline long term?

Will there be a successful, alternative supplier in the event of service or company failure?

Maintaining New Zealand's brand and promotional spend

As New Zealand's profile continues to grow internationally, so must our visibility in key tourist and achievement-oriented markets. The Fern is being positioned alongside the world's best in sport, culture, human achievement, education, scenery, lifestyle, food, wines, fashions. It must become synonymous with less tangible attributes - the highest quality, integrity, hospitality, friendliness, excitement, sincerity. This will take a concerted effort as well as a significant, long term, combined financial commitment. With others, Air New Zealand must continue to share its responsibility as our internationally-recognised, national carrier. The airline industry as a whole must be encouraged to develop new services to attract repeat visitors and encourage quality tourists to stay longer.

Qantas Holidays are a start. What incentives will there be for this activity/branding to expand further?

How can we ensure that commitment to a New Zealand national carrier will be maintained?

Will promotional spend and partnerships with other agencies at the very least be maintained?

Expanding trans Tasman airline services

Australia will continue to be a major visitor source. Both airlines currently compete on cost and routes which not only benefit travelers from both countries, but also from around the world. Tourists who fly into Australia need regular, affordable access to New Zealand centres and vice versa. It is essential that current choices are developed further; that costs, capacity and services are enhanced, not diminished, under the proposed strategic alliance. Both countries are final destinations, but both must be encouraged to support a growing dual-destination region, offering many and varied activities rather than favouring one country or attraction ahead of the other.

How and when will each airline implement sustainable expansion programmes?

What and how much responsibility will each take to grow the region's visitor numbers?

What guarantees exist to ensure that international travel will continue to be available from key exit cities and will not "hub" through Sydney or Melbourne?

Meeting capacity, fare and visitor expectations into and out of New Zealand

New Zealand and Australia are predominantly long haul, end destinations. There must be a greater range of services, stop-offs and dual-destination opportunities to attract first time visitors and encourage repeat visits throughout the year. Twelve month programmes need to be developed in conjunction with tourism, government and other interested parties to ensure information is not only shared ahead of time, but that marketing initiatives are complementary and sustainable. The accommodation industry has a very real interest, as well as a concern, that visitor expectations should be met by every provider in the tourism chain. The airline industry is often the first point of contact with a destination and this experience can influence the rest of visitors' stays. Meeting expectations in the form of comfortable seating, friendly service and affordable fares to the regions where there is a range of accommodation and attractions, are significant factors in ensuring visitors not only return, but also speak favourably about their experience.

What assurance will others in tourism have with respect to safeguarding the reputation of the industry as a whole?

What redress will smaller players have in the event of performance lapses if the proposed strategic alliance is approved?

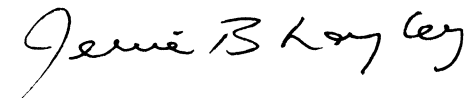
Delivering as promised by all parties

Major Accommodation Providers do not support heavy-handed regulation. Members are almost entirely dependent on an affordable, accessible, timely airline industry. On the information that has been published to date and the limited options that have been presented, the proposed strategic alliance seems to be acceptable provided all parties deliver as promised.

The overriding concern is what happens if, in time, the promises are not delivered? What protection exists to safeguard years of investment in the goodwill of a quality, internationally-acclaimed tourism industry?

Can the parties be obligated to work cooperatively, even in competitive environments, to ensure everyone benefits from stronger economies and a growing, profitable tourism sector?

Major Accommodation Providers of New Zealand ask that both the New Zealand Commerce Commission and the Australian Competition and Consumer Commission ensure they are fully satisfied with all aspects of the proposals presented to them by Air New Zealand Limited and Qantas Airways Limited before proceeding to the next stage.



Jennie Langley
Chief Executive Officer
Major Accommodation Providers
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