

Invercargill Airport Limited (IAL)

Notes for Slide Presentation to New Zealand Commerce Commission August 2003

Introduction

Representatives:

JW for IAL, NM as presenter.

Brief C.Vs

IAL is unlisted Public Co. 55% City of Invercargill, 45% New Zealand Gov't

IAL is addressing the Southern Tourism Region, namely;

- Southland
- Fiordland
- Stewart Island
- Invercargill City & Surrounds

IAL is an aspiring Trans Tasman international airport

STR potential for increased tourism has been fully evaluated but is frustrated by air service providers.

IATA codes used: QF = Qantas, NZ = Air New Zealand

NTO is term for New Zealand Government Tourism Board

Slide 1 Notes

Tourism Revenue Drivers

1. Applicants
View is too narrow
Airline self interest dominates
Not public interest focused
Not holistic
2. Holistic
Tourism Equation
Air Transport critical but not the whole
NTO is also essential/ cost centre not earner
GROUND is the principal earning tool
Direct flights maximise results
3. Cash Flows
Applications feature airline revenue split QF/NZ
NTO spends Taxpayer Money
NTO has no revenue but boosts tourist volumes
INFRAstructure is where most cash is earned
INFRA also has considerable sunk investment
INFRA is prepared to consider investing more
INFRA should have been Applicants focus
4. Trans Tas Pax
One incremental pax ex Australia
Airline earnings are minimal and split QF/NZ
NTO influential but not earner
INFRA is where GROUND has opportunity
Explains airline reluctance for more gateways
Good for airline costs-not good for tourism
5. 50k Pax p.a.
Trans Tasman
Earnings volumes using NECG exp figures
A/line split = Less than half NZ – more for QF
Huge for New Zealand
Public Interest v/s airline interest
6. 6000 Pax p.a.
IAL volume expectation
Benefit for STR
Reason why we are here today

Slide 2

New Zealand Flag Airline

2001	Effects of ownership evolution Privately Owned Intent on self interest Dividend focus Led to business failure Flew the patriotic/tourism/public interest banners Rescued by Taxpayers
2003 CntrFact	Present situation Majority Taxpayer Owned Dependency on State Not accountable to Parliament (Auditor General) State carrying all risks in reality Viability still under threat (VBAs) No public Interest benefit on offer to STR Taxpayers
2004 Factual	Assuming Approvals to Applications as now stand State still in control Still very high risk to Taxpayer Risk now shared with QF NZ a bit more low cost
P.I. Pref Factual	Public Interest enhanced by NZCC qualifications Proposed by IAL Flag airline objectives Desirable mix of profit & Public Interest delivery Inbound Tourism Plan based on INFRA Sharper Regional focus

Slide 3

IAL Submissions

1. Public Interest not sufficiently identified in Draft Determinations
Final Determinations should give P.I. more weight
Issues identified have huge potential for export earnings
Tourism is an export activity (of services)
It is in the Public Interest to expand its earnings
Also in P.I. for airlines to reduce costs

2. Flag airline is a dependent of the State
Surely it owes the State a return on that investment & assumed risk
Airline profits are mostly losses
Return should be via tourism – much more certain

3. State has no powers under 3. above
NZCC has power to direct
By virtue of these Applications NZCC can impose Qualifications

4. IAL supports Applicants desire to reduce costs
Provided any approval considered by NZCC has IAL qualifications
IAL is prepared to support

Slide 4 Qualifications by NZCC of any Approval(s)

Read as set out.

Finally, IAL supports the concept of the Applicants reducing their costs but is also concerned about any impact the Alliance may have on the operations of Origin Pacific since IAL believes it is imperative that sustainable competition is maintained, not only on the main trunk routes but also on the provincial routes where competing airlines currently operate.

Therefore provided that any approval considered by the Commission incorporates IAL's proposed conditions on the introduction of additional flights to the Southern Region using Invercargill Airport and also recognises the importance of maintaining sustainable competition on provincial routes then IAL would be prepared to support the applications.