



Ms Janet Whiteside
Chief Advisor
New Zealand Commerce Commission
44-52 The Terrace
Wellington
New Zealand

28 January 2003

Dear Janet,

Thankyou for your time today to discuss the role of ABTA and the issues that concern the association with the proposed Qantas Airways 22.5% stake holding of Air New Zealand.

The Australasian Business Travel Association is an association committed to the professional development of Business Travel Managers in the private and public sector.

ABTA is also committed to representing the business travel industry at government or regulatory body level on issues that directly affect an organisations ability to professionally manage business travel budgets. ABTA is very much committed to maintaining a competitive industry environment.

Our members range from secretaries or personal assistants to purchasing, procurement and supply managers. ABTA's membership in Australia and New Zealand represents 400 buyers and suppliers of business travel.

Our buyer membership amounts to 160 of the leading companies in Australia and New Zealand with total travel spend of approximately \$3 Billion AUD.

The proposal by Qantas Airways to purchase a 22.5% share of Air New Zealand raises some concerns to our association that we ask you consider in your evaluation.

- There exists a potential to tightly control the Trans Tasman and other competitive routes such as the USA, through code sharing, yield and capacity management that could lead to less choice and increased pricing
- ABTA would assume that there would a proposal to replace Air New Zealand's Star Alliance membership with that of the One World alliance. What will happen to the frequent flyer point accumulation and status of loyal Air New Zealand business travellers?
- Will Origin Airlines be in a position to compete with Air New Zealand on the domestic New Zealand routes or could this market become a virtual monopoly should Qantas withdraw its services? If Air New Zealand remains dominant in this market could we revisit the days of high airfares and poor service?

- ABTA is concerned that some international routes will be dominated by this new partnership agreement, leading very little product differentiation, partner airfares and tightly controlled capacity.
- The possibility of United Airlines withdrawing completely from the Pacific Region, whilst presently not on the agenda could be a future decision forced on the airline as a result of its current financial problems.
- The very powerful on-carriage arrangements that would be forged under the QF/NZ agreement impacting on the profitability of a second domestic NZ carrier

ABTA remains an industry voice in both New Zealand and Australia expressing the concerns of not only our members but also non-members.

They have similar concerns.

- Potential to increase international business travel fares on routes where the two carriers were once competitors but now partners
- Loss of their Star Alliance points and the historic benefits received as a loyal Star Alliance customer
- Possible increases in their business travel budgets due the lack of strong competition on certain routes. This could be regarded as inflationary as they themselves need to increase the price of their goods and services to meet this higher business travel cost.
- If Qantas and Air New Zealand jointly manage or control capacity on certain routes, could lead to less choice, less seats and subsequently less availability of discounted fares?
- This could also result in the increased cost of cargo through the reduction in available space.
- There is always the concern that a loss of strong domestic New Zealand competition has the potential to lead to a dominant market share for one carrier

Our industry feels that if all the above concerns come to fruition the stake holding will make business activity across the Tasman more difficult as companies seek alternatives to expensive business airfares, a lack of competition and the possible reduction in available seats at a time that suits them.

ABTA recognises the commercial viability of the proposal of the Qantas Airways stake holding in Air New Zealand and therefore is not in principal against such as strategic move.

Nevertheless, we do seek support from the Commerce Commission to evaluate our concerns in conjunction with the Qantas proposal. There could be a consideration to provide an economic benefit for new or existing carriers to enter or effectively compete in the Trans Tasman market (Virgin Blue or Singapore Airlines) and the domestic New Zealand market (Origin).

Certain mechanisms could be considered to monitor the benefits and concessions the two airlines promote in their proposal to ensure they meet the standards and requirements set by the Commerce Commission.

ABTA would also like to see the monitoring of potential anti competitive behaviour should new or existing carriers challenge the market share dominance that could exist.

With these mechanisms in place the industry would be satisfied that private and public sector organisations could maintain a level of control and cost efficiency of their business travel budgets while continuing to receive competitive levels of airline service.

Yours Truly

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