

420 S. Catalina Ave, #307
Redondo Beach, CA 90277
USA

9th February 2003

Commerce Commission
PO Box 2351
Wellington

Re: Submission against the Strategic Alliance between Qantas and Air New Zealand

Dear Janet Whiteside,

I am a proud New Zealander who is now living in Los Angeles and is very concerned that this Strategic Alliance will be the beginning of the end for Air New Zealand. I am making a submission in my capacity as a member of the United Airlines Mileage Plus frequent flyer program and consequently as a member of the Star Alliance frequent flyer program. I have grave concerns about the proposed alliance with Qantas and I would now like to explain these to you.

1) Decreased competition on the Los Angeles – Auckland and other trans-pacific routes.

First of all I believe that the alliance will be very damaging for those of us who use Air New Zealand on the LAX to Auckland route. This is because United Airlines has discontinued its service on the route and the last flight will be in late March. That will leave Air New Zealand as the only Star Alliance carrier on this route. It also will leave American Airlines as the only other carrier offering direct flights on this route. Given that American Airlines and Qantas are already aligned as part of the One World group, I would argue that Air New Zealand is likely to be squeezed out of this market. It is very unusual for a company to form a strategic alliance with its main competitor and when this does occur the result is increased prices.

2) The Strategic Alliance will spell the end of Air New Zealand's membership in Star Alliance.

While the statement by Air New Zealand says that they will not make any decision on withdrawing from the Star Alliance in the "near future", they certainly leave the door open for the not so near future. This is of great concern because of United Airlines decision to end its New Zealand service, leaving Air NZ as the remaining Star Alliance carrier serving the South Pacific. I believe that this will discourage people who are members of Star Alliance from traveling to New Zealand as they will no longer be able to earn or redeem frequent flyer miles on Air NZ. I know that choosing a Star Alliance carrier is a factor in the travel

decisions I make as the miles do add up and I was able to earn a free roundtrip to New Zealand last year because of my Mileage Plus miles.

3) Air New Zealand represents a New Zealand presence overseas.

I believe that the claim made by both airlines that there will be increased tourist numbers because of improved marketing by the alliance is unfounded. New Zealand is already the No.1 overseas destination for Americans and this due to exposure through Lord of the Rings as well as good marketing by Air NZ (i.e.) and New Zealand tourism companies. Air NZ is the conduit to New Zealand for a large number of the tourists and it is a nice welcome to be served New Zealand produce before arriving in New Zealand. Adding Qantas doesn't improve the picture, but rather dilutes it because of the inclusion of Australian destinations. So I feel that there will be a drop in tourists rather than an increase as claimed by the airlines.

4) Loss of currently healthy domestic competition with Origin Pacific

It would seem to me that allowing Qantas into the NZ domestic market would be fatal for Origin Pacific. Currently this competition From Origin has provided improved service to non-trunk routes, while Air NZ has moved to lower domestic prices with its Express Service. I see this being destroyed by access provided to Qantas. This assessment is based on the way Qantas will look to take revenge on Air NZ for its foolish decision to try to enter the Australian domestic market with the purchase of Ansett.

I urge you to listen to the airline's clients when making a decision on their proposal. I think my concerns above are shared by all ex-pat New Zealanders and by all members of the Star Alliance across the world.

Sincerely,

Jared Ball