

SUBMISSION TO THE COMMERCE COMMISSION

REGARDING THE MERGER APPLICATION OF QANTAS AND AIR NEW ZEALAND

This Submission is in support of the Draft Determination of the Commerce Commission.

I submit that the Merger would be contrary to the long-term public good.

The proposal clearly stems from a desire by both Applicants to not only safeguard the interests of shareholders but also to attempt to preserve two entities as they presently exist.

Such an approach is argued by the Applicants as essential to maintain the existing integrity of the two service providers.

However, it should also be seen as an attempt to restrict the fall out from the present adverse market forces, which are impacting the sector. And yet it is these forces which ultimately bring long term efficiencies to this mass transport sector.

Recent events in the airline industry in Australia should be warning enough of a determination to preserve the status quo at all cost. Ansett in Australia was a prime example of an attempt to resist the inevitable impact of market forces. Such an approach was clearly in defiance of the wider public interest, and new competition was kept at bay for as long as possible.

The Applicants stridently promote their cause, highlighting the perceived potential gains for the tourism sector. This they argue is reason in itself for a consent.

This must be a flawed and outdated argument in the light of overseas airline trends especially in Europe. In this market the emergence of highly competitive low cost and budget airlines have boosted tourism and mass travel beyond all expectations.

These airlines have succeeded where others have failed. It is the innovation born out of intense competition that has taken out costs, and brought air travel within the reach of more and more travellers. The whole tourism industry has grown in parallel.

South Western Airlines in the United States is another example of success while others flounder in the same market. Their success can be attributed to a variety of well-expounded reasons, none of which is dependent on market dominance.

The enterprise shown by these "emerging" airlines contrasts diametrically with that of the Applicants who seek a duopoly to ensure their survival.

In the closing stages of the debate, the Applicants stated that they would guarantee to freeze Trans Tasman fares for five years if allowed to merge. This must be regarded as a strange claim given the fragility of the wider airline industry. While sounding convincing, such a claim must raise even more doubts about the merger. Such a guarantee would suggest that fares could be frozen for such an extended time because other competition would be stifled.

To conclude I submit that this application should be judged in the first instance from the viewpoint of the over all public good.

Corporate and sector interests are a secondary issue.

This issue is of paramount public interest and concern, and I thank the Commission for the opportunity to submit accordingly.

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