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Submission on Proposed Air New Zealand & Qantas Alliance

IMPORTANT DISCLAIMER: These are strictly my personal views - they in NO way represent the views of any organisation that I have, or have had, a relationship with. These comments are based on a 15 year professional and academic background in travel and tourism in New Zealand, Australia, the USA and UK.

1. The Proposed Air New Zealand - Qantas Alliance.

I do not have definitive comment to pass on the [proposed alliance](#) as the issues are so complex and the competing issues so difficult to balance, as to make a clear statement for or against problematic. I simply can say I am concerned about the anti competitive nature of the deal - anti competitive elements that may have a profound impact on the tourism industry.

I have two comments to pass in this regard:

a. Air New Zealand's Future Without a Qantas Alliance. The anti competitive nature of the deal is widely acknowledged - however, the alliance is being justified by a view that Air New Zealand cannot survive without it. However, this outcome is far from clear. I recall when I lived in the US from 1995 - 99 that many airline industry experts believed that large, full service American Airlines with extensive hub and spoke networks would increase their dominance of the industry - squeezing out smaller airlines until there were just 2 or 3 major carriers. 'Expert reports' and stock analyst's recommendations widely shared this view. This of course has not happened. Southwest airlines - which is 'no frills' and flies point to point, is the most profitable airline in the world, new airlines such as JetBlue have emerged and some of the full service carriers are in bankruptcy. The airline industry is so dynamic that a credible argument can be made that a smaller and more nimble Air New Zealand (without the complexity and distractions of a Qantas tie up) may be more successful in the long term. This type of Air New Zealand may potentially also be better for the tourism industry. The different alternative futures for a sound and sustainable national flag carrier need to be carefully considered as part of the alliance application.

b. Past Experiences - New Zealand Motorhome Sector 1990 - 2003 : I also have some personal experience of a similar alliance situation in the tourism industry. This was when Newmans (for whom I worked) and Horizon sold their motorhome fleets to a competitor, Maui, to operate. At this time (1990/91) this created an effective monopoly in the motorhome industry (with 90%+ of the capacity controlled by the 'alliance') . This deal was justified on a similar basis to the Air New Zealand - Qantas proposal (for example: that the alliance was an inevitable outcome in a sector with high capital costs, and that these with the seasonal nature of the industry made real competition not sustainable in the industry).

Though the 3 brands were still marketed separately, Maui (through a division called LeisurePort) looked after all the operational issues for the 'alliance's' fleet. The result was that marketing differences were progressively eroded, innovation and market responsiveness stifled and Maui through their effective control of the entire Motorhome fleet picked up market share (to the detriment of the smaller members of the alliance). I am of the personal view that inbound tourism during the early 90s was impacted by this lack of choice in the motorhome sector of the market - making New Zealand less appealing as a destination.

This particular 'monopoly alliance' in motorhomes of course also did not work. There is competition in the motorhome industry today - and it and the inbound tourism industry I believe are the healthier for it. Indeed the largest player in the motorhomes sector (Maui - Britz) has been the one to suffer the most difficulty as they have lost market share to smaller, but apparently more market responsive operators such as Kea, Cruise and Adventure Vans. The arguments of the early 90s favouring the Newmans - Horizon - Maui deal are not heard today.

This parallel deserves further examination to see if my assessment is correct and if it holds any lessons for the Air New Zealand - Qantas alliance.