

Dear Ms Whiteside

I wish to take the opportunity to express Dunedin City Council's reservations regarding the proposed alliance between Air New Zealand and Qantas. Efficient and competitively priced air links are vital to Dunedin and Otago's economy and the Dunedin City Council is concerned that the proposed alliance may impact adversely on these links. Our concerns are outlined below:

#### 1. Air Travel Costs

Dunedin has suffered high air travel prices for many years, and the situation certainly worsened for the City when first Ansett and then Qantas NZ ceased operation, leaving a virtual monopoly for Air New Zealand. Economy fares of up to \$1200 for a flight to Auckland were common at that time. Since the arrival of Qantas Australia on the main trunk routes and the efforts of Air New Zealand to stave off competition (from Qantas and Virgin Blue) through becoming a no-frills airline, Dunedin has seen a dramatic fall in fares without sacrificing frequency or capacity. Our concern is that with an alliance between Air New Zealand and Qantas, part of the competitive pressure that has created the currently favourable conditions for air travel from Dunedin will be lost. We believe this could lead to fare price rises and rationalisation of services with a threat of reduced capacity and frequency of flights into and out of Dunedin. There is no assurance that market entry by Virgin Blue will occur or whether that entry will extend to centres like Dunedin. Without competitive pressure, Air New Zealand/Qantas may not retain the current pricing structure or flight schedules and this will severely affect Dunedin's ability to compete on the national and international economic stage.

#### 2. Airfreight costs

The comments which relate to travel costs also relate to airfreight costs. Exporters from Otago and Southland are already struggling to send perishable freight out of the country between October and March. Any reduction in competition (and surely an alliance between Air New Zealand and Qantas will create a reduction in competition) will potentially see airfreight costs and capacity adversely affected. This will have a significant effect on South Island exporters and impede the strong regional economic development we are experiencing presently.

Yours faithfully

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