

**To The Commissioners, The Commerce Commission, Wellington, NZ**

## **Enquiry**

I have been a cartographic and travel publisher in London for 35 years.

We publish the guide books that encourage travel and help make the profits for the airlines. We can often detect trends years before they emerge. We watch.

I should like to submit some observations which may be helpful to the Commissioners.

### **Pre-amble: The Position of the Commissioners**

In an enquiry of this kind, the position of the Commissioners is not easy.

- If they deliver a conservative report, people will remark how ‘sound’ they are, even though the condition of the airline may subsequently decline.
- If they deliver a dynamic and imaginative report, people will say they have lost their senses – even though such a course of recommended action may be just the very thing the airline needs in order to succeed. The report may even be pigeon-holed.

What I seek to do therefore, in this submission, is to concentrate upon the *principles* of what may be needed to correct the present somewhat anxious position in which Air NZ finds itself. If the correct principles can be determined, we can advance on a surer course.

### **Perception of the airline**

Despite the Erebus disaster and, more recently, the embarrassment of parts falling off a plane, Air NZ is seen as a reasonably safe airline and one well serviced for its long flights. Its directors seem to have had impressive academic qualifications, but were shown as naïve at the time of the Ansett debacle. I have heard it said that the board may need a balance with fewer money men and more with a grip of the airline and travel business.

### **Public Judgment**

Paradoxically, and almost hurtfully, an airline is not judged by its multi-million dollar investments in aircraft and its Rolls Royce engines.

It is largely judged by its passengers on three lesser elements viz:

- The appearance, service skills and general approach of its flight attendants
- Its seat pitches, and
- The quality of its catering

Other factors being equal, these are the three pathways to success.

Further observations are made on these below (Page 7), but I here turn to the hugely important main factor of *routes flown*.

### **Routes Flown**

It is axiomatic in any transport operation that you will succeed only if you offer services to *places where people want to go*. Though obvious this is sometimes neglected.

In the airworld this is not always easy and calls for skilled and sometimes tough negotiators.

Factors such as -

- cabotage (the reservation to a country’s carriers of its internal air traffic) and
- reciprocal rights,
- competitor lines
- have a strong bearing on any negotiations.

### **National Pride**

Air NZ enjoys the support of the great majority of NZers. They want to see it succeed. If any find faults with it, they usually lack the gumption to write in about them so that the administration of the company can put things right. This is a pity. The views of writers-in, like letters to the editor of a newspaper, are merely the tip of the iceberg of opinion.

Air NZ competes on an international stage, and any and all letters on faults and criticisms should be both welcomed and pursued vigorously to eliminate them. Sometimes useful suggestions come from unexpected quarters.

### **Purpose of Commission**

My understanding is that the terms of reference for the commissioners would be to consider whether a partial merger with Qantas would be of beneficial or adverse effect to Air NZ and by inference whether Air New Zealand might do better by making a few changes and carrying on as a fully independent airline.

I must declare that I favour this latter course.  
With a little imagination much could be accomplished.  
It is against this background that I submit the following:

*"Imagination is more important than knowledge." (Albert Einstein)*

Without the imagination of inventors there would *be* no airlines.  
We need administrative imagination to complement this creative imagination.  
We need directors not afraid to think the unthinkable, lateral thinkers, ideas men.  
Less conservatism, fewer who are dominated by money and more who can conjure up ideas. Profits follow a good idea.

Like most New Zealanders I have yet to be convinced of the merits of joining forces with Qantas. Paul Holmes the TV pundit ran a viewer poll (Dec 2002) and found that 86% of respondents opposed a deal with Qantas. This is a *massive* expression of public opinion, which no politician and, I respectfully suggest, no Commerce Commission, can afford to ignore.

Air NZ will have to do some fast talking to convert this huge opposition majority to accepting a deal. All business aims at monopoly and there is no exception here within our region, no matter what blandishments may be proffered by Qantas.

We may have in this present enquiry a wonderful opportunity for an external body (The Commerce Commission) to make recommendations on the running of Air NZ in its report to the government. Recommendations which will stand us in good stead for decades to come. It is at all events a consummation devoutly to be wished.

## THE ROUTES

### Where are we heading?

Let us concentrate on two critical long haul routes and consider what might be accomplished.

### Eastbound to London (TransAmerica)

At present, a traveller to London has the alternatives of -

- (a) flying 'direct' with a refuelling touchdown at Los Angeles.  
This route has the advantages of speed, and of avoiding payment of the quite high landing rights at other points along the way. Such a route should thus be marginally cheaper than an 'indirect' route to the same destination.
  
- (b) an 'indirect' route – with Air NZ to Honolulu and a Star Alliance flight for the rest of the journey (unless of course one rejoins Air NZ at LAX if one may).  
This means in effect that Air NZ is ferrying passengers to points at which other airlines take over their passengers and fly them profitably to their destination. Rather than operating as a full blown international airline, we become a subservient passenger 'feeder' service for others. We drum up the business, they then collect half the profits. It would make a Scotsman weep!

Let us look at a different scenario.

Imagine if we can touch down at Honolulu, US West Coast, US East Coast and London. We do not yet know the true relative demand for stop-overs at these points because Air NZ has not been able to offer them off its own flights.

However we *do* know that they are popular destinations and might be seen as pearls on a necklace. The facility of such optional stopovers would be a considerable attractant with which to win patronage.

The description 'US West Coast' is used. Not everybody wants a stopover in Los Angeles. Indeed some might happily pay extra to avoid it (Despite Disneyland for the children) although its position as a hub is important.

But the term raises the possibility of services to *other* waypoints.

Those who have been to Los Angeles on previous trips might welcome the chance of a touchdown in San Francisco or even Las Vegas. Qantas flies to Phoenix!

We might explore the possibility of flying on certain days of the week via other centres, or even of putting a smaller aircraft on the Honolulu-SFO run in order to serve *both* the major Californian destinations daily.

We would be no worse off and might in fact be rather better off!

After SFO passengers could fly south to Los Angeles to rejoin ANZ flights, or fly onwards east with a US line.

As to NYC, despite the twin towers, it is still a place everybody wants to visit.

We should also think about the westbound trip *from* London.

Europeans visiting NZ, would then be able to stopover optionally in NYC, California and Hawaii on the way with one airline. Such points would be *of winning appeal*.

### **Westbound to London (via SE Asia)**

Air NZ flies west at present only as far as Singapore.

Singapore is in an impregnable position as far as shipping services are concerned because of its position as an island at the end of the long Malay Peninsula. Look at the map!

There are about 1,000 ships in the harbour there at any one time.

Mr Lee Kuan Yew decided to try and make it also an air hub and poured billions into the development of Changi Airport.

Together with his 1,000 ships in the harbour, he has also encouraged several thousand shops to lure tourists. He is a clever man who knew where he was going.

But there is also a good demand for travel to Bangkok.

In my view it is an even better potential air-hub than Singapore.

Singapore scores because of its Britishness and the fact that English is widely spoken.

It is a familiar and comfortable place. To some it is clinical and even a little dull.

Bangkok scores differently. For its oriental character and for its position at the centre of a 'clockface' serving SE Asia. It is, in a word, 'exotic'. Shades of Anna and the King.

Meantime, Delhi beckons.

### **Round the World?**

Since the day when Juan P. Trippe of Pan American got out of bed and decided that what the world needed was a 'round the world' airline, this has been a popular conception.

Mr Trippe flew his particular version in the northern hemisphere (he had other routes over the equator). Air NZ has the prospect of straddling *both* hemispheres.

It is a prospect that would excite both copywriters and travellers alike.

*What if we could fly from Auckland via Singapore, Bangkok, Delhi, London, New York, Los Angeles, San Francisco, Auckland?*

The appeal of a route to London via Bangkok and perhaps Delhi is interesting.

Furthermore if we could secure flying rights into London from SE Asia it would complete our 'round-the-world' routes.

We already cover 75% of the distance, why not finish the job off?

### **The Last Link**

But there is another even more interesting possibility relating to SE Asia.

To fly from Auckland via Hong Kong, Bangkok and perhaps Delhi to London.

I am here assuming we could negotiate rights to fly between Hong Kong and London.

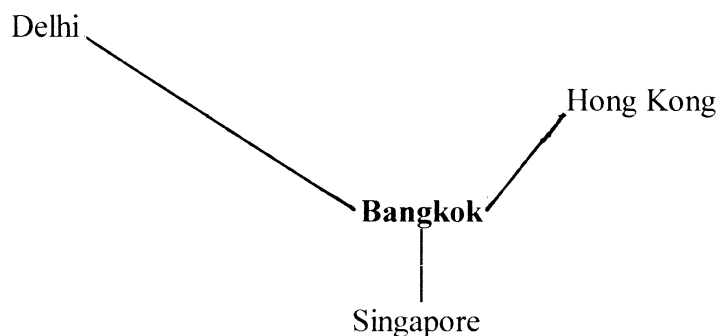
By including a touchdown at Bangkok the scene would be well and truly set.

- One flight with 767s could fly daily from NZ via Singapore to Bangkok and return.

- Another flight with 747s would fly daily via HK, Bangkok and Delhi to London.

(See separate sheet on Delhi.)

The touchdowns in Asia are like a giant, somewhat distorted, letter 'Y'



Travellers wishing to visit Hong Kong *and* Singapore en route to London, could fly HK-Singapore direct and then either fly west with Singapore Airlines or go north to rejoin Air NZ at the Bangkok 'Hub'.

So we would have three 'prongs' from Auckland to Asia:

- Via Singapore to Bangkok (Using 767s)
- To Hong Kong and thence west via Bangkok and Delhi to London (Using 747s)
- To Japan (Osaka, Nagoya and Tokyo).

Hong Kong would collect passengers from points east and north for points west to London.

Bangkok (Our new main hub) would collect passengers from points east and south. With these SE Asian route rearrangements, patronage and profitability would undoubtedly climb. We could then turn to Australia.

## **Australia**

Air NZ flies to Melbourne, Sydney, Brisbane, Cairns and Perth.

An extension of the Cairns flight west via Darwin to Bali is one worth thinking about.

## **Darwin?**

At some time in 2004/5 it is anticipated that the new 1400km railway from Darwin to Alice Springs will be finished. This will be a wonderful way of seeing the outback of Australia - riding along on continuous welded lines, in air-conditioned coaches.

It will be an outstanding, world-class rail journey and will appeal to tens of thousands. Passengers will be able to travel north-south across Australia by land and in comfort - for the first time in history - from Darwin to Adelaide.

## **Bali?**

This destination, despite the recent bombing, is popular and lies within our region.

A flight via Cairns to Darwin and Bali could well build up to daily frequency.

Cairns-Darwin-Bali is certainly worth consideration and investigation.

Planning can follow. We have time.

The possibility of 767s (or equivalent) flying on an 'indirect' flight at near daily frequency to Cairns, Darwin, Bali and *even on to Singapore* should not be overlooked.

Three baited hooks on the line are better than one and the more imaginative will see the possibilities looming towards us, some two years from now.

## **"Air NZ is in trouble" (1992/1993)**

If Air NZ were not in a degree of trouble, the Commerce Commission would not have been called in. The fact is that it *is* in trouble and it is desperately in need of a switch in its operating formula and/or administration. It needs a new attitude or adaptation.

Certainly it needs to cut costs and raise profitability.

I am not in a position to assess and make suggestions concerning engineering services and various other aspects of Air NZ's operations.

But I have a perspective after 40 years as a travel publisher, and after 50 years in what is broadly known as the 'tourist industry' I feel justified in making a few comments.

Sometimes those concerned can't see the wood for the trees.

Present prevailing philosophies haven't worked.

We will always have those who suggest we can't get our desired routes.

Don't believe them. A man can always get what he wants badly enough.

## THE PERIPHERALS

I touched at the beginning on the three peripheral items on which an airline is judged. To some they will seem crazy. But they are incontrovertible.

That Air NZ should ever have chosen bowler hats (a style affected by Peruvian peasant women) for its hostesses, was a clear indication that something was not right. They added to that, a dress fabric design of a most funereal kind, thus compounding the felony. The combination makes their hostesses look repellent rather than attractive. Maybe the designs came from a committee?

The distance between seats should be according to the height of a passenger and not according to the depth of his pocket. As a rule of thumb it should be not less than half the stockinged height of the passenger. This is ergonomics of the most elementary kind.

A 34" pitch such as Air NZ operates on some of its long haul flights is by no means bad, compared with others, but it *still* doesn't accommodate taller passengers properly. We are dealing with some strapping six footers, not pygmies from New Guinea! It may accommodate the majority (5'8" and under) comfortably, but that is not enough.

Passenger Height	Minimum Seat Pitch
5'8"	34"
5'10"	35"
6'0"	36"
6'2"	37"
6'4"	38"

Central blocks of seats could easily be adjusted to accommodate taller passengers. Where a tall man turns up with a short wife, she gets the benefit, but at least he doesn't suffer cramp, and the possibility of DVT is reduced.

What are the percentages of travellers in a plane *by height*. We need to know. If 20% are 6'0" or over, then that is the percentage of seats which should have greater seat pitch. (Plus a few extra for those short wives!) It is as easy as that. Simple mathematics. What percent are over 6'2"? Probably a modest figure.

The 34" pitch derives from half the old *average* height of persons. It is an *obsolete and unrealistic method* for calculating seat pitch. It is time Air NZ recognised this and came into the 21<sup>st</sup> century. They must not be restrained by any IATA so called regulations or inter-line practices.

Air NZ may lose a few seats, but will assuredly fly with nearer full occupancy. The appeal of better leg room on long haul flights is immense to taller passengers. Winning these marginal passengers helps raise revenues.

Air NZ is fortunate in that NZ produces fine foodstuffs at modest cost. Our catering is by no means bad by airline standards, but that does not exempt our line from vigorously and constantly striving to do better. Especially so with the hounds of competition snapping at its heels.

Champagne for breakfast on the flights from Honolulu is *novel and memorable*. It should be regarded as a basic idea for future development. What follows?

Meals should be tantalising so that passengers will talk about them over the dinner tables for years afterwards. Whitebait fritters (in season); Lamb and new potatoes with mint sauce; ice cream and pavlova cake; coffee and liquers. Air NZ should push the boat out on these. They constitute 'bait'.

Our whitebait is unbeatable. Our lamb is the best in the world. Our ice cream is rich and creamy. Pavlova Cake is an antipodean dessert. We would thus be strutting NZ as well as winning passengers!!!

A dollar or two more per head spent on catering, recovers itself time and time again. Cost cutting is important but sometimes we may be saving money on the wrong things.

### **What does all this have to do with Qantas?**

Easily explained.

If we get the routes and the 'peripherals' right, it puts Air NZ in a very strong position. One in which, far from needing Qantas to survive (as some of the timid claim), we could compete with them and have them running for cover!

Indeed we could compete with *anyone* and see our airline develop properly.

The Ford Motor Company does not merge with General Motors because it is bigger.

- Good routes are fundamental.

Appealing stops and connections are of paramount importance.

Ours cry out for adjustment. It will be difficult to succeed fully as they are.

We are within a hand's grasp of success.

We almost – but not quite! – have a global, arterial service with useful stops.

We should strive for it.

Once we have it we can regroup and take stock of our new situation.

- There are those who will denigrate the idea of better peripherals as being of influence.

They need reminding of the dictum of the great Finnish-American Architect Eero Saarinen who memorably remarked that "God is in the details!"

You won't positively attract passengers if your hostesses look like attendants at a funeral parlour, or if your seat pitch can show the sardine packers a few things.



What's wrong with the present setup?

Lots!

Our eastbound flights across the USA to London consist of -

- a direct flight via LAX for those in a hurry, and
- a leisure flight as far east as Honolulu after which eastbound passengers are obliged to change aircraft and airline. Pretty poor really.

Our westbound flights stop at Singapore. Why? It is very limiting.

Bangkok may be reached only by an interline transfer.

It is like setting off to drive from Wellington to Auckland and giving up at Taupo.

With our railways we haven't finished the main lines.

With our airways we haven't finished the routes.

It is sufficiently extraordinary to make one wonder if we may have a saboteur in the planning department!

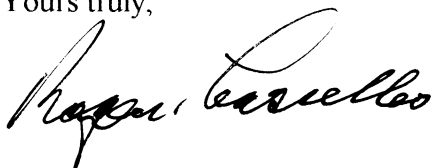
It is suggested that by adopting Bangkok as a hub, services both from Hong Kong and Singapore could meet at it and passengers would get useful transfers to London or elsewhere.

Interesting Points and Good Experiences are the Keys to Success!

It is submitted that these are the operational elements in need of adjustment.

Merely by attending to these and by watching costs scrupulously, we can wave "Goodbye" to Qantas and move on to Glory.

Yours truly,



Roger D. Lascelles

## Should We be in Washington? Or London? Or Delhi?

Views on touching down at Delhi are mixed.

### **When?**

One has the alternatives of

- starting to fly in there straight away when a route to London commences, or
- beginning operations without Delhi and thinking about calling there later.

### **Why?**

Apart from Delhi City itself, with its architecture, planning and boulevards, there are the other attractions in the region, the greatest of which by far is the Taj Mahal – one of the wonders of our world.

The question we need to ask ourselves is this:

If there were a daily 747 flight from Hong Kong via Bangkok to London, how many of the roughly 400 passengers would disembark at Delhi and rejoin the same flight number a few days later?

- If the number were trifling, then it would be difficult to justify a touchdown at Delhi having regard to landing fees and the delay, albeit short in duration, to the flight.
- If the number were impressive, we may say that the gamble would have been justified and Delhi would become an accepted optional stopover for passengers flying west.

Remember that the ‘express’ passengers and those wanting flights without stopovers will be largely flying via Los Angeles. We are speaking therefore of leisure travellers, most of whom keenly look forward to various stopovers en route.

Nobody knows the answer!

Delhi could be a winner, or conversely, quite unjustifiable.

But a case perhaps of ‘Nothing ventured, nothing gained.’

Even the principle of calling there on only certain days in the week is open to the criticism that the true popularity of a route can be determined only with daily frequency.

A possible clue as to its potential might be picked up from the inward passport control at Delhi International. If we could get a breakdown by nationality of inward arrivals it would be helpful. Whatever the favourable numbers, the chances are that they would increase if Delhi became a regular waypoint. But at least we would have an indication.

### **Singapore Airlines**

It may be cogently argued that if Singapore Airlines are pulling out of Delhi, then it would be foolish for Air New Zealand to fly in there.

On the other hand there is something rather comforting about being able to fly in and out of an exotic destination in one’s own national airline. This could attract patronage.

It would not be the first time that one airline has succeeded where another has failed.

**How much?**

Sadly, touchdowns cost money.

The flying costs plus a touchdown at LAX for the 'express' route would be the lowest between Auckland and London.

It would seem logical to charge more for a speedy journey, but the truth is that it is also the one that is lowest in cost.

The prospects are thus that with low costs and higher prices, this route should be profitable. The more so without United Airlines in competition.

Conversely, flights with multiple stops cost money to land at each waypoint and would thus tend to be more costly.

They thus have high costs and, in order to compete, lower prices, thus making it difficult to operate profitably.

The landing fees turn cost logic on its head.

**So what should the Air New Zealand do?**

Some passengers will want to enjoy stopovers at Delhi. Others will not.

Some will say "Let's chance it and try landing there!"

Others will say "Not on your life!"

Consultation with retail travel agents may give a clue as to prospects.

They are the front line troops and the Board might perhaps consider using them as a sounding board.

Perhaps another approach would be to run some sort of travellers poll – maybe conducted by a polling company? Something along the lines of the draft poll on the accompanying sheet.

(London Advertising Agents are not above getting two thousand people into a cinema to ask questions on a whole range of topical subjects. Maybe it is something NZ agents might with advantage copy if they do not already do it.

Attendees can be invited by sex, age, occupation or whatever.)

## Small Poll for Potential Travelers to help An NZ/1

### Part 1

You are flying from Auckland eastbound via the USA to London.

You are a 'leisure' traveller not under pressure of time and you look forward to spending time at some of the intermediate waypoints.

Here follows a list of 17 US Cities.

For the purposes of this exercise, all eastbound planes will stop at Honolulu.

But when you fly on to the US Mainland, which two cities most appeal to you?

Please place a '2' alongside your preferred choice and a '1' alongside your second choice:

#### **Pacific State**

Honolulu HA

#### **Western States**

Seattle WA  
Portland OR  
San Francisco CA  
Los Angeles CA  
Las Vegas NV  
Phoenix AZ  
Salt Lake City UT

#### **Central States**

Chicago IL  
Denver CO  
Dallas TX  
Orleans LA

#### **Eastern States**

Boston MA  
New York NY  
Washington DC  
Atlanta GA  
Miami FL

### Part 2

You are flying from Auckland westbound via SE Asia to London.

Your flight by-passes Australia.

Here (for the purposes of this exercise) are the possible stopovers in Asia:

<b>Stopover</b>	<b>Col 1</b>	<b>Col 2</b>
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Hong Kong		
Singapore		
Bangkok		
Delhi		

Column 1: Please place a tick alongside those cities where you have been before

Column 2: Regardless of whether you have been to any of them before or not, would you please indicate their strength of attraction to you.

Place a '4' alongside the one that most strongly appeals, a '3' alongside the next best and so on.

## *Air New Zealand*

### Summary of Suggested Outward Long Haul Flight Options

#### To London

- (a) The quickest way – Direct flight from Auckland via Los Angeles for refuelling
- (b) The cheapest way – That is, the cheapest costs for the airline  
Direct flight from Auckland via Los Angeles for refuelling
- (c) Eastbound – Indirect flight – via Honolulu, California and US East Coast
- (d) Westbound – Indirect flight – via Hong Kong, Bangkok, Delhi

#### To Australia

- (a) To Melbourne – from Auckland, Wgtn or ChCh
- (b) To Sydney – from Auckland, Wgtn, ChCh or Queenstown.
- (c) To Brisbane – from Auckland or Christchurch
- (d) To Cairns – from Auckland  
And onwards to Darwin, Denpasar/Bali (and Singapore?)
- (e) To Perth – from Auckland

To Bangkok – from Auckland via Singapore – and return.

To Singapore – A daily flight *might* come north as an extension of the Cairns service via Darwin and Bali and return south to Auckland from Singapore.

To Japan – (Keep to present arrangements)

To Taipei – (Keep to present arrangements)

To Pacific Islands (Keep to present arrangements)

### **Star Alliance Relationships?**

These would largely carry on 'as is' but the SE Asian hub would be moved north to Bangkok and a new leg flown from SE Asia to London.

This might originate in Hong Kong, with a touch down in Bangkok

That is to say, we would develop our own routes first, and then work as usual with our Star Alliance partners.

### **Why a Round the World Service?**

Because passengers could embark at any waypoint and fly east *or* westbound as far as they want (save in the US where cabotage prevails).

The circuit includes the continents of America North, Asia, Australasia and Europe.

It does NOT include Africa and America South.

(Africa is probably the least important continent.

America South is covered by Star Alliance partner Air Varig and its connections.)