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Commerce Commission
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To the Qantas / Air NZ Project Team

As founder and former Chief Executive of Kiwi International Airlines Limited, this letter may surprise you but I support the Qantas' bid to buy 22.5% of Air NZ as long as the effects of the duopoly are mitigated.

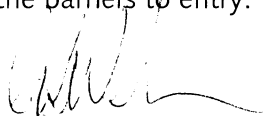
There is no doubt in my mind that the deal is necessary for Air NZ's long term growth and sustained profitability, however the reality is the Qantas / Air NZ deal is inherently anti-competitive. Anytime you reduce capacity and commence co-sharing operations it is given that airfares will rise and there will be less choice to the consumer.

The Government must mitigate this by ensuring that as part of the approval process for the Qantas / Air NZ deal they empower the Commerce Commission and the Civil Aviation Authority to further reduce the numerous barriers that a new start up airline would have to overcome in a market that would be clearly dominated by a very powerful duopoly.

- This should be in the form that both Qantas and Air NZ are required to make available maintenance and engineering facilities to any new start up carrier at current market rates to be determined by a qualified impartial party.
- The Civil Aviation Authority changes it's stance, which currently does not permit a designated NZ International airline operating an aircraft on a foreign air-operating certificate to fly domestically.
- The Commerce Commission are given clear guidelines to assist them in determining exactly what is predatory behaviour to ensure that any dominant market player can't commence a faze of predatory pricing. This was so evident in the Commission's decision that concluded that Air NZ could not have been guilty of predatory behaviour in regards to Kiwi Air because of the Commission's earlier decision that concluded that there was no dominant player in the trans-tasman market. To this day this decision appears to me to be non logical. How can you hold three quarters of the market capacity and not be a dominant player.

If the Government can regulate this the general consumer in NZ should not be intimidated or concerned by the perceived anti-competitive position the approval of this deal would give Qantas / Air NZ as there are numerous entrepreneurs who would be more than comfortable in entering the NZ domestic scene with these new policy changes.

There is no need in my opinion to require Air NZ to sell Freedom Air to Virgin Blue as part of the approval process. Clearly that in itself is reducing competition, a simple answer is to simply reduce the barriers to entry.



Ewan Wilson