

31 July 2006

John Macilree
Principal Advisor
Ministry of Transport
PO Box 3175
Wellington

**APPLICATION FROM QANTAS AND AIR NEW ZEALAND
FOR CODESHARE PROPOSAL**

Business Hut Valley is an organisation which promotes and represents business in Hutt City. Through a contract with Hutt City Council it is charged with encouraging, developing and representing the City's business community at a regional and national level. Business Hutt Valley also administers the Hutt Valley Chamber of Commerce and this submission is made on behalf of that Chamber and Business Hutt Valley.

The Hutt Valley Chamber of Commerce has nearly 300 members and is part of the Chamber network in the Wellington. Business Hutt Valley and the Hutt Valley Chamber of Commerce support the submission made by the Wellington Regional Chamber of Commerce.

Hutt City is a City of nearly 100,000 north of Wellington and is a main centre of the region for the manufacturing industry and as a road transport logistics centre. It is an area that would be greatly affected by any change in access to and from the region in terms of tourism and business travel and freight availability.

We are seriously concerned about the affect a Qantas – Air New Zealand code-share arrangement would have on the Hutt City economy and the ability of residents and businesses to travel to, and trade with, Australia.

Whilst there is a reasonable amount of competition between Australia and Auckland and between Australia and Christchurch, the same is not true on the Wellington – Australia route. There is no effective competition other than between Qantas and Air New Zealand. It is very likely that the code-share arrangement applied for would result in higher fares on the fewer remaining flights and there would be a resultant reduction in freight capacity.

We commend the Ministry of Transport on requesting submissions on these applications.

We see only negative implications for public resulting from an acceptance of this application with no real public benefits. The issues upon which we wish to submit are similar to those of the Wellington Regional Chamber of Commerce and are summarised as follows:

- Pacific Blue flies only three times a week between Wellington and Brisbane and has withdrawn from the daily service between Sydney and Wellington provided prior to the

October 2004 determination. Consequently the only competition on the Wellington Australia routes is that between Qantas and Air New Zealand.

- We believe that acceptance of the application will have an effect on the economies of Wellington, Sydney, Melbourne and Brisbane and would also have an effect on the ACT economy which usually links to Wellington through Sydney or Melbourne. This will be caused by the reduction in seats available, the reduction in freight capacity, the increase in fares and the increase in freight costs.
- Wellington is a significant source of tourists for the four Australian economies above and it also receives a number of visitors from those regions. The result of the code share is likely to be a reduction in "special" fares and in non-flexible fares between these cities.
- The likelihood of another airline entering the Wellington – Australia market is low; Emirates is unable to utilise the Wellington runway with a full payload and Pacific Blue has made no attempt to expand its fleet and enter or re-enter the market. Again, there is no competition other than between Qantas and Air New Zealand.
- Flying to Australia from Christchurch or Auckland is not the route of choice for people and businesses in the Wellington region. Wellington is a distinct market in respect of Trans-Tasman services and any reduction in competition on the Wellington – Australia routes would lessen the ability of these regions to trade with each other.

We would ask that the Ministry of Transport either decline the application or accept it with stringent conditions. These conditions might include the removal of the Wellington to Sydney, Melbourne and Brisbane routes from the code-share arrangement or at least restrictions in respect of price and capacity.

Thank you for providing the opportunity for us to make a submission on this issue and I would be grateful if we could be kept informed of how the matter proceeds.

Joe Daly

Chief Executive

Business Hutt Valley Ltd and

Hutt Valley Chamber of Commerce and Industry Inc