Hamilton International Airport

Phone +64 7 848 9027
Fax +64 7 843 3627
E-mail wral@hamiltonairport.co.nz

Hamilton International Airport
Airport Road, RD 2
Hamilton, New Zealand

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John Macilree
Ministry of Transport
PO Box 3175
WELLINGTON

Dear John

HIA Submission on the Air New Zealand Code Share

Following dialogue with Air New Zealand since our original submission, HIA wishes to re-position its response on the proposed Code Share and retract the earlier views contained in the letter of 25 July 2006.

We believe the following to be statements of fact:

- Freedom[1] (operated by Zeal 320) is our biggest customer and our only international carrier and this is the same situation for the other regional airports. This leaves the regional Airports exposed to both the survival of Air New Zealand and the unilateral route decisions of Air New Zealand.
- Air New Zealand's short-hall international subsidiary Zeal 320 is less profitable due to Trans-Tasman overcapacity, fuel costs and yields dropping through fifth freedom carriers.

We requested that the following points be noted with respect to the proposed Code Share:

- We believe that there will be a negative impact on regional schedules should the code share not proceed. This, we believe, will be because Freedom will need to concentrate on reducing schedules to reduce their capital invested, as capital returns do not sustain capital employed;
- Although approval of the Code Share is no guarantee of route profitability, improved profitability of both Air New Zealand and Freedom would help secure the long-term sustainability of regional airports. It would also enable Freedom to turn their attention to route growth opportunities;
- There is a need to ensure level playing field for all airline carriers. We believe that this is not currently occurring with the fifth freedom carriers being able to utilise spare aircraft capacity to marginally price seats on the Trans-Tasman routes.

[1] Our reference to Freedom in this letter is to the brand name of the low cost carrier aircraft that fly to Hamilton International Airport. Freedom exists only as a brand name operated by Zeal 320. Zeal 320 is Air New Zealand's short-hall international subsidiary that operates the A320 aircraft to Australia and the Pacific Islands.

In order for Hamilton International Airport to more fully benefit from the Code Share the following is required:

- Joint selling of Freedom tickets by Qantas and JetStar, which would be good for developing increased Australian based sales into the region. This is possible as joint selling would leverage the Qantas and JstStar marketing infrastructure in Australia. Currently, Freedom is predominately used by Waikato residents, with few Australian nationals. Therefore, through using Qantas's marketing arm HIA can build the Australian based sales for the benefit of both our Airport and the central North Island tourism industry;
- Inclusion of the low cost carriers into the proposed Code Share may be an opportunity for interlining within Australia. This would enable travellers from Hamilton to travel more seamlessly to other Australian destinations not currently served;

To reiterate, Hamilton International Airport is seeking to ensure a sustainable international service to Australia is maintained from Hamilton for the benefit of both the airport and the greater Waikato.

Yours sincerely

Andrew Toop

Andrew Toop
Manager, Commercial and Growth
Hamilton International Airport