

APPENDIX 1

Air NZ and Qantas' claims that Emirates is a competitive constraint on the Tasman

- 1 In their joint application to the New Zealand Ministry of Transport for authorisation of their "code share" proposal, Air New Zealand and Qantas outline Emirates' "long-term intention to operate on the Tasman" (pages 24-28 of the Application).
- 2 The airlines claim that Emirates and Virgin Blue "effectively set fare levels on the Tasman, with intense competition occurring for price-sensitive travellers" and that the conduct, business model and growth of Emirates "kept Air NZ and Qantas on constant competitive alert" (page 3 of the Application).
- 3 The airlines also claimed that Emirates would provide a major constraint on their joint activities on the Tasman by virtue of its:
 - 3.1 growth in both its fleet and the routes it flies during a period in which "other network carriers have needed to reduce their networks, consolidate their operations, and minimise their costs" (para 5.9 of the Application);
 - 3.2 position as one of the most profitable airlines in the world, with significant global strength, substantial financial resources at its disposal and no burdened of legacy costs (para 5.10 of the Application);
 - 3.3 operation of substantially more capacity on the Tasman than was warranted by the demand for its wider services to and beyond the UAE (para 5.16 of the Application)

Air NZ's criticism of Emirates

- 4 In the past, successive Air New Zealand chief executives have criticised Emirates' position on the Tasman:
 - 4.1 Rob Fyfe:
 - (a) Emirates has the financial muscle to be able to dump capacity and drop ticket prices "so low that they would reduce any accountants...to tears" (*NZ Herald* 'Emirates will not last here, says Air NZ', 11 February 2006);
 - (b) Emirates and other Arab and Asian airlines could jeopardise Air New Zealand and the country's economy. While he relished the opportunity to pit a revitalised Air New Zealand against

Emirates, the real competitor was Emirates' city state owner, Dubai. Emirates' spending on aircraft and access to capital and support from the Dubai Emirate would ensure Emirates rapidly became a global airline behemoth (*Dominion Post* 'Air NZ calls for battle with Emirates', 11 February 2006); and

- 4.2 Former Air New Zealand chief executive Ralph Norris: airlines such as Emirates were dumping capacity on the Tasman routes and "driving yields down to unsustainable levels", resulting in a "bloodbath" on the trans-Tasman (*NZ Herald* 'Air New Zealand has radical plans for Tasman routes', 17 June 2005).