



Hodgson

The Travel Agents' Association
of New Zealand

20 June 2006

Hon Peta Hodgson
Parliament Buildings
WELLINGTON

Dear Mr Hodgson

We write to you in your capacity as the Minister with delegated authority for considering the application from Air New Zealand and Qantas seeking approval for their Tasman Networks Agreement (TNA) or code share proposal.

The Travel Agents' Association of New Zealand (TAANZ) represents over 500 travel agencies throughout the country employing 3,500 staff who carry out over \$3 billion worth of travel annually. The TNA application is clearly of interest to our members, their customers and the New Zealand economy. As the industry association representing travel agents, we are studying the relative costs and benefits of the proposal and, after consulting our members, will determine our position on the application.

TAANZ has a number of concerns regarding the process by which the airlines' application will be considered. We understand that in this country the Ministry of Transport will examine the application and provide advice to you, the Minister with delegated authority, to authorise (or not) the application.

What remains unclear is what criteria the Ministry will use to consider the application, whether submissions from interested parties will be sought and taken into account, what other consultation will be undertaken and whether there will be any opportunity to respond to any initial determination or not. Essentially, we believe the process used must be transparent and rigorous, and is seen to be so.

The fact that the Government is the majority shareholder of Air New Zealand requires, in our view, the consideration process to be above reproach. Hence our desire to have the process heard in public with criteria disclosed in advance.

As you will be aware, across the Tasman the application has to be considered by the Australian Competition & Consumer Commission (ACCC). However the ACCC has no mandate to consider the impact on New Zealand's interests.

Given the concerns expressed regarding the potential for anti-competitive behaviour by the two airlines party to this application, TAANZ's preference would be that you refer the TNA application to the Commerce Commission for a full enquiry into the costs and benefits of the proposal. This would enable all those with an interest to submit evidence, for that evidence to be thoroughly tested and the Commission's determination would be publicly available.

Involving the Commerce Commission in the consideration process would ensure the application is tested openly and rigorously, and go a considerable way toward preempting concerns already raised that the Government has a conflict of interest as the majority owner of Air New Zealand. It would also fulfil the Government's obligation to consider the public interest and competition impact on consumers.

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Should there be an impediment to referring the entire application to the Commerce Commission, then we believe that whatever process is adopted must demonstrate how the public interest and competition impact on consumers is to be addressed, and what expert and independent advice will be used in testing the application. The process also needs to be open and transparent, and enable interested parties such as TAANZ to take part.

We look forward to hearing your response to this letter and specifically to our recommendation that the TNA be considered by the Commerce Commission, or undertaken in a similarly rigorous and open manner, for the reasons outlined.

Yours sincerely



Paul Yeo
Chief Executive