



Hamilton
International Airport

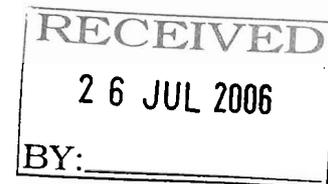
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Hamilton International Airport
Airport Road, RD 2
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25 July 2006

John Macilree
Ministry of Transport
PO Box 3175
WELLINGTON

*Faxed to Sonya in CHC
27/7*



Dear John

HIA Submission on the Tasman Networks Agreement

Thank you for your letter of 10 July 2006 acknowledging that third parties like Hamilton International Airport (HIA) concerns will be considered. HIA is concerned that the views expressed to date have not been a fair representation of the aviation industry.

We believe that the proposed codeshare will have the greatest negative impact on the regional airports and that there will only be a marginal impact on the main centre airports (Wellington, Auckland, and Christchurch).

Codeshare Impact

We believe that the effect on the main centre airports will be minimal as:

- Air NZ and Qantas will achieve a cost reduction plus an ability to offer increased flights, which will increase the profitability of their NZ main centre to Australia routes. There will be no similar operational benefit at the regional airports – as Air NZ will not be able to leverage benefits from Qantas.

For the main centre airports this will mean:

- Continued Qantas and Air NZ competition from a customer perspective with an increase in flights offered, so impact on customer numbers is likely to be minimal.
- A minor reduction in revenue as direct aircraft landing charges are only a minor source of revenue. The large direct customer revenue base from the international departure levies, and secondary income from parking, retail and duty free will be largely unaffected.

If the codeshare were not to occur then:

- There will be a continuation of the competition, which according to Air New Zealand¹ is on a limited number of routes from the main centres. Air NZ to minimise losses on these Trans-Tasman routes would either run the routes at a loss or cut services on these routes. We believe that despite the strategic importance of the routes that Air NZ would eventually cut the services on these highly competitive routes.

¹ Air New Zealand state in their codeshare publication "Is this set taken" that the Auckland to Brisbane, Auckland to Sydney and Wellington to Sydney routes are unique in terms of the level of competition for the size of the market. No mention is made of the regional routes.



- This will negatively impact the main centres, whereas, the regional routes that are not facing the same level of competition are less likely to be cut.

Regional Airport Impact

The main benefits to Air NZ will be at the main centres, which will make these routes more profitable. By comparison there will be no benefit to the regional routes, which comparatively make these routes less profitable. Future route reductions would then start to be focused on the regional routes.

Furthermore, the regional airports are more exposed to changes in flight and customer numbers than the main centre airports, as their low utilisation factors mean that the high fixed infrastructure costs are only marginally covered by revenue earned. Consequently, small changes in passenger and flight numbers significantly impact the returns to the regional airports.

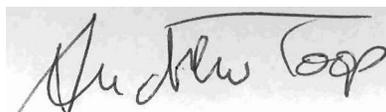
Future Issues to be Considered

The HIA would like the Ministry of Transport to consider the following:

- How any negative impact in the regional airports could be mitigated?
- How these considerations could be seen in the light of the larger Government plan of encouraging growth in the regional areas, particularly, as they relate to tourism and exporting regional goods via airfreight?
- Whether the proposed request for codesharing could be balanced with consideration given to how competition could be stimulated in the regional airports.
- We believe that under the Civil Aviation Act the Minister would have the power to implement conditions in any codeshare that would help encourage international airline competition in the regional airports. Has the Ministry considered similar opportunities?

In summary we believe that the Ministry needs to ensure that full consideration is given not only to the potential impact of any codeshare agreement but also to what potential benefits can be gained. Consequently, we request that formal consultation be undertaken on the above issues.

Yours sincerely



Andrew Toop
Manager, Commercial and Growth
Hamilton International Airport