

23 February 2024

Mr Tony Hilton
Director
Competition Exemptions
Australian Competition and Consumer Commission
By email: exemptions@accc.gov.au

Dear Mr Hilton

AA100653 – Virgin Australia and Air New Zealand application for authorisation

Canberra Airport welcomes the opportunity to make a submission on the application by Virgin Australia Airlines Pty Ltd (Virgin Australia) and Air New Zealand Limited (Air NZ) seeking authorisation to give effect to a Commercial Framework Agreement, Codeshare Agreement and various related agreements in relation to Air NZ's services operated on the trans-Tasman.

As the aviation sector continues to recover from the COVID-19 pandemic, Canberra Airport is supportive of a competitive aviation market that benefits passengers and other industry participants.

As Canberrans navigate the cost-of-living crisis, growing inflation and stagnate wage-growth, there must be a competitive aviation sector that offers more choice and lower fares, particularly for those seeking to travel across the Tasman.

If this proposed conduct was authorised, it will offer Canberrans wishing to travel to New Zealand more options. It will also allow for a greater share of business and leisure travellers from New Zealand to access the national capital.

Virgin Australia currently accounts for between 30 and 36 per cent of all passengers at Canberra Airport. Authorisation would offer Canberrans the ability to access these Virgin Australia flights to eastern Australian gateway airports before connecting with a Virgin Australia-Air NZ international flight to access broader and deeper networks at a competitive price.

Leisure tourism and business travel

The proposed conduct will be of great benefit to leisure and business travellers from New Zealand wishing to visit Canberra. The return for the Canberra region will also be valuable.

Canberra and south-east NSW have a vibrant tourism economy. From the snowfields of Thredbo, the cultural icons of Canberra and the wineries of Murrumbateman and Yass, there are many options available for prospective visitors from across the Tasman.

Over the last decade, Canberra has emerged as a significant cultural hub competing with Melbourne and Sydney in the domestic and international tourism market. Travellers now view Canberra more than just the home of traditional institutions such as Parliament House and the Australian War Memorial. There is a growing desire to experience firsthand the fine-dining offerings, world-class cultural attractions and family-friendly activities.

As the tourism and aviation industries have continued the recovery from the COVID-19 pandemic, there has been a growth in travellers to the ACT. In the 12 months to September 2023, Canberra welcomed more than 170,000 international visitors. Those travelling from New Zealand accounted for nine per cent of all international travellers.

The close diplomatic and tourism relationship shared between Australia and New Zealand benefits Canberra markedly. An increase in capacity that facilitates opportunities for more business and leisure visitors from New Zealand would be a welcomed investment into the economies of Canberra and south-east NSW. Canberra Airport submits that this proposed conduct will assist in achieving this.

Corporate visits to Canberra by New Zealand business leaders and industry advocates occurs almost daily. Due to the centralisation of the Commonwealth Government, accessing bureaucrats, the major political parties and peak industry bodies in one city is important for the ongoing development of trade, business and diplomatic relations between Australia and New Zealand. As connectivity between Canberra and New Zealand will improve under the proposed conduct, corporate travellers' access to Canberra will also be enhanced. For businesses, this will improve productivity, reduce expenses and increase competitive advantage.

The tourism, business and investment opportunities afforded to the Canberra region when international connections previously offered by Singapore Airlines and Qatar Airways occurred were significant. Interline connectivity options to major regional airports, such as Canberra Airport, that may be furnished if this proposed conduct is authorised will likely yield similar opportunities.

Developing a deeper partnership

Deeper connections between Canberra and New Zealand will likely be realised under the proposed conduct. There has been a strong and intrinsic link between the two locations for more than a century. This relationship was formalised in 2016 with the signing of a sister-city agreement between the ACT Government and the city of Wellington.

Canberra's International Engagement Strategy published by the ACT Government identifies New Zealand as the country with the greatest immediate priority for trade and tourism purposes. This is, in part, due to the cultural, political, defence and economic benefits that exist because of the deep relationship between Canberra and New Zealand.

Given the close diplomatic and trade relationship between Australia and New Zealand, many corporate and industry leaders from both nations travel across the Tasman on a weekly basis to access decision-makers at each nation's respective seat of government. As submitted by the applicants, this proposed conduct will further improve bilateral relations by offering more options for corporate leaders and industry stakeholders to access Canberra and the decision-makers based here.

Canberra is also a key destination point for New Zealanders who travel to visit family and friends. According to the Australian Bureau of Statistics, in the 2021 Census, more than 5,100 Canberrans indicated they were born in New Zealand. There is a considerable market that exists for those wishing to fly between Canberra and New Zealand to spend time with loved ones.

Canberra Airport is supportive of the aviation sector leveraging off this strong partnership through the provision of seamless interline connectivity.

Authorisation period

It is noted the applicants are seeking the authorisation for a period of five years. The commercial difficulties experienced by all airlines, including Virgin Australia, during the COVID-19 pandemic have been well documented. The recovery of airlines in recent years has been promising for the aviation sector.

The expansion of the Virgin Australia domestic and short-haul international fleet will increase capacity and offer more choice for passengers. With the delivery of 39 Boeing MAX-8s and 25 MAX-10s anticipated in the coming years there will be further opportunity for the introduction of even greater choice on the trans-Tasman route. The investment in this new fleet of aircraft allows Virgin Australia to develop a presence on New Zealand routes that are currently only serviced by Qantas, Jetstar or Air NZ.

Canberra Airport welcomed the recent public contribution by the Assistant Minister for Competition, Charities and Treasury, the Hon. Dr Andrew Leigh MP, that more carriers

servicing a route has a far greater benefit for passengers. It is likely that a fourth carrier on the trans-Tasman route will improve competition, lower fares and give greater choice to passengers. This will ultimately increase demand and offer Canberrans an affordable getaway to New Zealand.

Canberra Airport is concerned that should the authorisation be granted for a period of five years, there will be limited incentive for Virgin Australia to enter the trans-Tasman market, opting to rely solely on Air NZ aircraft through the codeshare arrangement.

The ACCC is requested to consider limiting the authorisation to three years. This will provide sufficient time for Virgin Australia to develop a detailed proposal to enter the trans-Tasman market with its own fleet of aircraft. The public benefits of such increased competition would be significant.

Conclusion

In the interim, Canberra Airport supports this application for authorisation as it will contribute significantly to a more competitive trans-Tasman aviation sector. The Canberra region will benefit through improved business and leisure access, injecting additional funds into the local economy, while Canberrans will be offered an alternative end-to-end airline option for trans-Tasman travel.

For more information, please contact our Government Relations and Policy Advisor, Jordan Fallon, by emailing j.fallon@canberraairport.com.au or phoning 6175 3384.

Yours sincerely



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