

22 December 2014

**Submissions on Draft Guidelines
Competition Commission**

By email: submissions@compcomm.hk

Dear Sir/Madam

Hong Kong Competition Commission consultation: Submission on draft guidelines.

Air New Zealand has had the benefit of viewing Cathay Pacific's submission to the Hong Kong Competition Commission regarding the draft guidelines on the application of the Competition Ordinance.

In 2012 Air New Zealand and Cathay Pacific entered into an alliance in relation to services between Auckland and Hong Kong. The alliance has allowed both airlines to maintain a sustainable presence on this route, and has provided a number of benefits to consumers in the form of a greater choice of services, greater connectivity between each Applicant's network, and an improved customer experience. The alliance has also ensured that Hong Kong remains a significant hub for travellers from New Zealand, and enhanced tourism between Hong Kong and New Zealand.

The parties obtained regulatory approval for the alliance from the New Zealand Ministry of Transport. This approval will expire in January 2016, and the parties are currently working with the Ministry of Transport to extend the approval for five years. A five year extension has been requested by the Applicants, during which they hope to take steps to create additional benefits for customers on the Auckland – Hong Kong route.

Air New Zealand supports the view of Cathay Pacific that the Commission should adopt a clear policy regarding agreements or conduct that has a multijurisdictional effect and which have already been formally reviewed by foreign competition authorities whose legislation is consistent with that proposed to be adopted by the Commission. The nature of the aviation industry requires long term planning and investment decisions. For example, schedules must be agreed for each IATA season many months in advance of operation, there is a long lead-in for ticket sales in advance of operation, and substantial investment is required in aircraft and other operational infrastructure. In the context of Air New Zealand's alliance with Cathay Pacific, the certainty provided by a five year authorisation period will provide the parties with the opportunity to consider long term initiatives to make the Auckland – Hong Kong route more sustainable, that might not be contemplated if the alliance will be subject to a new regulatory process during the term of the current authorisation. We note that in relation to Air New Zealand's alliances with other airlines, the length of the regulatory clearance in the relevant jurisdictions have been aligned to ensure that such processes do not overlap.

For the reasons set out above, Air New Zealand agrees with Cathay Pacific that the Commission should consider giving formal recognition to the legitimacy of conduct or agreements that have already been granted exclusions or exemptions by other competition authorities.

Yours sincerely



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Head of Alliances
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