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Ministry of Transport
Wellington

RE: Application for reauthorisation of the Air New Zealand - Singapore Airline Alliance

Thank you for the opportunity to make a submission on the reauthorisation application of the Air New Zealand - Singapore Airline Alliance (the alliance). We examine such international airline alliances authorised to exist outside of standard competition regulation, and their associated impacts on airline competition and connectivity into New Zealand, on behalf of all our airport members and in particular the international airports.

NZ Airports is also writing to support the submissions on the application from our international airport members. We agree with those airports' submissions that the alliance should be reauthorised but with conditions.

NZ Airports accepts there can be a case made for airline alliances that deliver consumer and national benefits. However, the successful initial application for this alliance was made in 2014 and under different commercial circumstances. The Ministerial granting of the initial authorisation reflected that time and then commercial situation. This application for reauthorisation is being made in quite different circumstances, with tight constraints on seat availability, reduced competition, much higher airfares, and hence highly profitable airlines. The existence of such a strong alliance such as Air New Zealand NZ-Singapore Airlines does make it harder for airlines that have a similar proposition (such as Thai Air) to return to New Zealand.

NZ Airports requests the Ministry of Transport (MOT) to carefully evaluate both the past performance of the alliance since 2014 and the greatly differing competitive and international circumstances existing today that would - on balance - justify reauthorisation.

The period since 2014 is sufficient for the fair evaluation of the claimed benefits the alliance delivers to consumers and New Zealand. Under the current authorisation regime, where the MOT is limited in the information it can procure regarding the performance of alliances, the most tangible way airlines can demonstrate continued consumer benefits of the alliance is through capacity increase. The alliance has delivered more capacity over the period prior to Covid with an additional daily service between Singapore and Auckland, more seasonal flights between Singapore and Christchurch, and a new service between Singapore and Wellington (via Australia). Airfares for travel to and from Central New Zealand also reduced markedly because of the Wellington service – a significant consumer win.

While the MOT is unable to force airlines to add or restore capacity under the current legislation, the ministry should at the very least signal to the applicants that the restoration of capacity to pre-Covid levels, and then further growth over the authorisation period will be an important consideration when the alliance, if reauthorised, is reconsidered under the new legislation.

We would note that while authorisation of airline alliances for a five-year period is generally regarded as an appropriate balance between providing commercial certainty and allowing regulatory scrutiny, a great deal can change in those five years and materially affect the rationale for the alliance. The Covid-19 pandemic is the most significant example, but the Russian invasion of Ukraine would be another. In such circumstances, five years without regulatory scrutiny may well be too long. We would also note that commercial, technological, and financial drivers of airline performance can also materially alter across the five years.

Also, we note the new Civil Aviation Act 2023 will take effect in mid-2025, which will allow the Ministry of Transport to better monitor and assess the benefits of alliances, and if in the public interest to compel airlines to adjust capacity. NZ Airports wishes to suggest the MOT introduce a formal process of review of the alliance's performance at the 30-month point, not with an ability to end the alliance but to give greater visibility and reassurance of the alliance's performance before the entire five-year authorisation has passed.

NZ Airports submits that to ensure the alliance provides sufficient capacity as the market grows, in light of the highly profitable position they are in and the collusion the agreement allows, capacity addition conditions should be included in the reauthorisation in order for the benefits to outweigh the considerable potential disbenefits. At the very least, the alliance should restore the capacity that the two airlines had prior to the start of Covid-19. The New Zealand Government is somewhat obliged to ensure the benefits of the alliance are maximised in that it does not restrict capacity. We submit that capacity conditions are the only way to achieve this.

We also submit that the alliance would provide the greatest benefits for New Zealand not only from an overall increase in visitors but also from the regional dispersal of those visitors. Regional dispersal allows a richer and broader tourism experience to be marketed, and greater tourism expenditure overall. Having more ports of entry also increases our national transport system's resilience and international airfreight capacity.

Once again, thank you for the opportunity to make this submission.

Yours sincerely,



Steve Riden
Policy Director