

**SUBMISSION ON APPLICATION FOR AUTHORISATION OF THE RJBA
BETWEEN QANTAS AND AMERICAN AIRLINES**

7 AUGUST 2015

- 1 Christchurch International Airport Limited (*CIAL*) welcomes the opportunity to submit to the Ministry of Transport (*MOT*) on the application by Qantas Airways Limited (*Qantas*) and American Airlines Inc (*American*) (together, the *Airlines*) for authorisation under section 88 of the Civil Aviation Act 1990 (*CAA*) of their Related Joint Business Agreement (*RJBA*) and related agreements.
- 2 *CIAL*'s submission is based on our review of the Airline's redacted application for authorisation to the *MOT*. A number of key aspects of that application remain confidential, including data in support of the Airlines' claimed public benefits. Our submission should be read in that context.
- 3 We are broadly supportive of the *RJBA* on the basis of the public benefits outlined in the Airlines' application for authorisation where it is able to be demonstrated the alliance is able to enhance regional economic outcomes for the South Island.
- 4 The Airlines state the *RJBA* will promote tourism in Australia and New Zealand. *CIAL* supports airline initiatives where a stimulation of South Island tourism and freight industries is the outcome.
- 5 The South Island's tourism and freight industries are of national significance and depend on frequent, air services to international markets. Strong international air connections are vital for growing those sectors. This is especially pertinent following the damage inflicted by the 2010/11 earthquake sequence.
- 6 The South Island visitor economy is worth around \$5,817m annually and employs circa 62,300 people. Of that, the Christchurch visitor economy is worth circa \$1,263m annually and employs circa 13,500 people. Approximately 70% of international arrivals to Christchurch will go on to visit and distribute economic benefits to other regions in the South Island.
- 7 Visitors from the United States are valuable visitors to New Zealand each spending \$3,900 per day which is ahead of the average daily spend of \$3,080 for all visitors to New Zealand. Visitors from the United States also spend 43% of their total New Zealand expenditure in the South Island which is a greater proportion than other visitors who spend 38 % of their total New Zealand expenditure in the South Island.
- 8 Although *CIAL* is broadly supportive of the application it would have wished to see more detail on the specific plans and campaigns the Airlines propose to implement to stimulate tourism and freight opportunities to the South Island. Presently the application refers to joint marketing programs conducted under the original *JBA* but makes no mention of existing campaigns featuring the South Island or those proposed in the *RJBA* which will stimulate travel to the South Island.
- 9 Visitors from the United States have a high proportion of dual destination travel, in other words they visit Australia and New Zealand. Further, 37% of US visitors arriving in New Zealand will have already visited Australia. Therefore it would stand to reason that if additional capacity was added Trans-Pacific into Australia that New Zealand should also benefit.

- 10 The Airlines claim the RJBA will materially increase capacity and consumer choice on the Trans-Pacific Routes but make no mention of what specific plans the Airlines have in place to increase capacity on Trans-Tasman or what level of increase in capacity will result as a direct consequence.
- 11 For Christchurch, and therefore the South Island to access the full benefits of the RJBA, any additional Trans-Pacific capacity into Australia would require a corresponding capacity lift on the Trans-Tasman to Christchurch and the South Island to ensure that the claimed benefits flow through.
- 12 In summary, CIAL supports conduct which is inherently pro-competitive and can deliver public benefit through increased capacity to New Zealand, in particular Christchurch and the South Island. While CIAL would have preferred to see more specific detail in the application as to how the RJBA will increase Trans-Tasman capacity and stimulate both tourism and freight opportunities to the South Island it is broadly supportive of the authorisation of the RJBA on the basis of the public benefits outlined in the Airlines' application.