SUBMISSION TO THE AUTHORISATION OF THE AIR NEW ZEALAND AND CATHAY PACIFIC

1. Thank you for the opportunity to submit on the application for re-authorisation of the agreement (the North Asia Airline Alliance or NAAA) between Cathay Pacific and Air New Zealand (the Applicants). We note that the NAAA has been in effect since 2012 and is entering its twelfth year of operation.

2. NZ Airports represents the interests of airports across New Zealand. NZ Airports members[1] operate 46 airports across the country, including both the international gateways to New Zealand and the domestic airports which make up the national air transportation network. New Zealand's airports are essential infrastructure of national and regional significance which play a crucial role in the socio-economic wellbeing of our communities.

3. Airports are significant contributors to regional and national economies, including through their role in New Zealand's tourism and trade sectors. Airports have a strong multiplier effect on the economies they serve, enabling the development of additional industry and employment in their regions. Airports keep New Zealanders connected with family and friends, domestic and abroad, and enable Kiwis to enrich their lives and careers through national and international connectivity.

4. NZ Airports has an enduring interest in growing the scale and value of international air traffic to and from New Zealand. We therefore apply a consistent question to applications from airlines for permission to form alliances and agreements that would otherwise fall outside of competition law and policy: does this proposed alliance grow the market and provide more public benefit than would result from continuing with a more open and competitive market?

5. Our stance towards airline alliances is that while a proposed alliance might deliver better value, more services and choice for travellers, all parties external to the alliance can never be certain those benefits will be delivered. The publicly available version of the Application does not reveal enough information for NZ Airports to be certain that the proposed benefits of the NAAA outweigh the general damage from the overall diminishing of competition, or what would be the outcome of the counter-factual, that the NAAA did not continue.

6. Under some market conditions, some level of coordination between airlines can be supported by NZ Airports if a rigorous evaluation is conducted, and if past performance of the inter-airline agreement has shown clear public benefits.

7. For each proposed alliance or agreement, Governments and competition authorities must weigh the clear diminishing of competition – with its loss of transparency to external parties –

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1 Our member airports include Ardmore Airport, Ashburton Airport, Auckland Airport, Chatham Islands Airport, Christchurch Airport, Dunedin Airport, Gisborne Airport, Hamilton Airport, Hawke's Bay Airport, Hokitika Airport, Invercargill Airport, Kapiti Coast Airport, Kaikohe Airport, Katikati Airport, Kerikeri Airport, Marlborough Airport, Masterton Airport, Matamata Airport, Motueka Airport, Nelson Airport, New Plymouth Airport, Oamaru Airport, Pauanui Airfield, Palmerston north Airport, Queenstown Airport, Rangiora Airport, Rotorua Airport, Takaka Airport, Taupo Airport, Tauranga Airport, Te Kowhai Aerodrome, Thames Aerodrome, Timaru Airport, Wairoa Airport, Wanaka Airport, Whanganui Airport, Wellington Airport, West Auckland Airport, Westport Airport, Whakatane Airport, and Whangarei Airport.

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against the suggested benefits of the airlines' proposed alliance. Governments have the advantage over sector participants of greater information from the Applicants about the suggested benefits but may not fully appreciate the competition dynamics that the alliance could negatively impact,

8. NZ Airports submits that the geographic spread of inbound and outbound services is a very important factor for increasing the overall public benefits of the proposed alliance. We would ask for the maintenance of the current level of service to ports outside of Auckland as a condition of the renewal of the NAAA.

Broader Competition Concerns

9. NZ Airports has broader concerns regarding airline competition than just regarding this individual application for the NAAA's renewal. Our concern is that the overall level of competition in the New Zealand aviation market, and policies to enhance that competition, is somewhat overlooked in a succession of alliance applications that are granted. Each application stands on its own merits and is successful, but the cumulative effect is an overall absence of competition existing outside of a comprehensive network of alliances.

10. The passing of the 2023 Civil Aviation Act provides a timely opportunity to re-evaluate from 2025 New Zealand's International Air Carriage Competition regime. NZ Airports would ask the Ministry of Transport to consider the overall broader effect on airline competition of granting this (or other re-authorisations), and if this level of authorisation is likely to achieve the purposes of the Civil Aviation Act 2023.

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