

Auckland Airport submission on reauthorisation of the Air China and Air New Zealand Strategic Alliance

25 August 2025

1 Summary

Auckland International Airport (Auckland Airport) welcomes the opportunity to submit on the reauthorisation of the of strategic alliance (the Alliance) between Air New Zealand and Air China. Auckland Airport does not oppose the reauthorisation of the Alliance.

The Alliance has delivered little recent incremental benefit to consumers if measured by growth in seat capacity beyond the original two routes operated, Auckland-Beijing and Auckland-Shanghai or the launch of any new city pair connectivity between New Zealand and China. However, that needs to be considered in the context that there is overall strong and growing level of air capacity and connectivity between New Zealand and China.

Given this competitive market landscape where other airline operators have grown capacity and air links between China and New Zealand, Auckland Airport can see the benefit of an ongoing commercial relationship between the two national flag carrying airlines of New Zealand and China and therefore does not oppose the reauthorisation of the alliance. However continued scrutiny must be applied to ensure this alliance, if reapproved does not act as a handbrake to further expansion of capacity between China and New Zealand.

Genuine competition between airlines is vital for consumers, so all forms of coordination, including joint ventures and alliances, must be thoroughly scrutinised to ensure they result in strong consumer benefits. As New Zealand remains in a period where global aviation remains constrained by aircraft supply issues and New Zealand's international seat capacity remains below 2019 and lags key competitor markets such as Australia, it is even more crucial to ensure any airline cooperation results in clear benefits for consumers and the wider economy.

2 The Air New Zealand and Air China alliance has not delivered capacity growth

Air China and Air New Zealand have under delivered in terms of capacity growth. Auckland Airport acknowledges the disruption brought about by the pandemic and aircraft supply chain issues in recent years have impacted the two airlines, however other airline participants in the China to New Zealand market have grown capacity, connectivity and passenger volumes since border settings were eased from mid-2022 onwards

Since its inception in 2015 there has been a marked decline in the alliance's seat capacity on the two alliance operated air routes, Auckland-Beijing and Auckland-Shanghai.

In 2019, the Alliance offered 377,000 available annual seats between New Zealand and China, but for full calendar year 2025 this number is forecast to reduce to 299,000 annualised seats on offer, based on seats operated year to date (January to July 2025) and currently on sale (August to December 2025). This represents a significant 21% reduction in seat capacity deployed to the market by this alliance, compared to the immediate pre-pandemic year. There will also be a 16% year on year decrease from 2024 to 2025. The seat capacity in 2024 was equivalent to that of 2016, the first full calendar year after the Air China/Air New Zealand alliance's establishment. No growth in capacity or additional city pair connectivity over an 8-year period is notable.

Examining the long-term trend, the compound annual growth rate (CAGR) for available Air New Zealand/Air China alliance seats deployed to the market between 2016 (the first year of alliance operations) and 2025 stands at -2%, indicating contraction rather than an expansion of airline seat capacity and connectivity under this authorised alliance.

This stagnation and subsequent decline in capacity suggest that the alliance has failed to stimulate growth, raising questions about the effectiveness of this joint venture delivering tangible incremental benefits to consumers over time. Whether or not airline cooperation agreements deliver the capacity growth and consumer benefits they indicate they will when first agreements are first approved should be a subject of much greater scrutiny over time by the Ministry of Transport.

The under performance of this agreement must be considered in the broader context of New Zealand's international aviation market, where overall seat capacity remains constrained and

recovery from the impact of Covid-19 has lags key competitor markets. Despite the strategic intentions behind the alliance, its implementation has not translated into increased connectivity or more travel options for travellers.

3 Strong growth between Auckland and China indicates the alliance is not creating an anti-competitive environment at this point

Despite the capacity underperformance of the Air China and Air New Zealand alliance on the Auckland–Beijing & Auckland–Shanghai routes, the broader Auckland–China seat capacity has, despite the significant pandemic related disruption, grown 1% in 2025 compared to 2019, driven by increased frequency, new routes, and heightened competition from other carriers.

Auckland–China airline seat capacity excluding the Air China and Air New Zealand alliance has grown 15% between 2019–2025

China Eastern Airlines (MU) and Hainan Airlines (HU) have expanded their services to New Zealand, with MU increasing its services from 7 per week on the Shanghai to Auckland route in 2019 to current 11 per week with the addition of a 4 per week Hangzhou to Auckland route. HU has increased its offering from 3 flights per week in 2019 on the Shenzhen to Auckland route to 6 per week with HU offering its new Haikou to Auckland service.

These examples demonstrate that the market remains vibrant and innovative and that pricing discipline is upheld through natural competitive forces. MU is the airline delivering the most capacity between China and Auckland and in December 2025 the airline will launch incremental twice per week new Shanghai to Buenos Aires service via Auckland service. MU's additional flights from December will not only bring incremental capacity on the Shanghai to Auckland routes but will also introduce competition on the Auckland to South America market, where a sole incumbent airline, LATAM currently operates between Auckland Airport and Santiago, Chile.

These positive seat capacity and additional city pair developments have mitigated concerns that the Air New Zealand–Air China partnership may have stifled competition.

This competitive backdrop underscores the importance of continual oversight and holistic market analysis. While one joint venture may not, by itself, undermine market health, the cumulative effect of multiple such agreements, each potentially coordinating pricing and capacity, could

have far-reaching implications. This is particularly true in an overall New Zealand international market where seat capacity remains below pre-pandemic levels and dominant players wield substantial influence over both domestic and international travel options.

4 The cumulative impact of all airline agreements continues to need scrutiny

Auckland Airport's comments in this submission relate only to the reauthorisation of this agreement. Airline joint venture cooperation agreements allow two or more airlines to co-ordinate pricing and seat capacity deployed on one or more air routes and across multiple origin and destination points. While this can bring about consumer benefits, it also concentrates market power.

Auckland Airport welcomes the new guidance the Ministry of Transport has issued regarding the criteria airline cooperation agreements should meet. This provides a more robust process and ensures agreements bring about clear benefits for New Zealanders.

Across FY25, Auckland Airport had 28 airlines flying to 42 destinations. International seat capacity has recovered to 92% compared with pre-Covid.

New Zealand's overall international seat capacity continues to lag our key competitor markets at just 87% of pre-Covid. Markets such as Australia, Singapore, Canada, and the United States have fully recovered and exhibited growth.

In 2025, around 56% of international seat capacity at Auckland Airport was controlled by Air New Zealand or one of their authorised joint venture partners. This combined with Air New Zealand's 84% domestic market share create a dominant market position.

When that data is broken down to look at short haul (Australia and the Pacific Islands) routes and long-haul routes, 66% of long-haul international seat capacity into New Zealand sits within an Air New Zealand alliance of some form. 43% of short haul seat capacity also sits within those alliances.

The impact of 66% long haul capacity into New Zealand being within Air New Zealand alliance agreements needs to be appropriately scrutinised for its impact on capacity growth and airfares.

Table showing total New Zealand shorthaul and long-haul seat capacity (Cirium, AirportIS)

YE Jun-25 vs. YE Dec-19	Short haul international	Long haul international
Seat Capacity Recovery	88%	89%
Air New Zealand & Alliance Market Share	43%	66%
All Airline Alliances Market Share	87%	71%
Passenger volume Recovery	99%	90%
Airfares (average fare paid by travellers)	129%	143%

Given the large number of air routes and proportion of overall international air capacity to and from New Zealand that is packaged up across various anti-trust immune airline joint ventures that allow airlines to co-ordinate on capacity and price, we recommend that the Ministry of Transport should give consideration to implementing a system to regularly monitor the structure and health of the international travel market for the benefit of New Zealand travelling consumers, including:

- airline capacity
- levels of airline competition
- prices paid in the New Zealand market for both international travel and domestic travel

5 Conclusion

Auckland Airport does not oppose this alliance reauthorisation. We see the benefit of an ongoing commercial relationship between the flag carriers of New Zealand and China.

Auckland Airport also notes that the overall China – New Zealand market has seen airline seat capacity and connectivity expansion over time between the two countries, thus demonstrating that the presence of the Air New Zealand / Air China alliance has not acted to suppress a competitive market landscape that has delivered benefits to travelling consumers.

Auckland Airport continues to call for much greater scrutiny on the collective impact airline cooperation is having on outcomes for consumers at time when fares are growing and capacity remains constrained.