

Response to third party submissions on the application for reauthorisation of the Air New Zealand – Air China Alliance

1. Introduction and summary

- 1.1 Air New Zealand Limited (“**Air New Zealand**”) and Air China Limited (“**Air China**”) (together the “**parties**” or the “**Applicants**”) provide the following response to the third-party submissions received by the Ministry of Transport (“**Third Party Submissions**”) in relation to their application for reauthorisation of the Alliance.¹
- 1.2 This response addresses points raised in the Third Party submissions in so far as they relate to the Alliance. In summary:
 - (a) the majority of the Third Party Submissions support the Alliance, recognising the Alliance’s benefits. As explained in further detail in the Application, the Alliance has delivered and will continue to deliver benefits to New Zealand, well beyond those available via Star Alliance membership alone;
 - (b) to the extent the Third Party Submissions express concern in relation to the Alliance, this concern is not supported by the evidence and does not undermine the conclusion that the Alliance satisfies the statutory test for authorisation, delivering clear benefits with no competitive detriment;
 - (c) suggestions that the Alliance is “defensive” or designed to “geographically segment China between Air New Zealand and Air China” are unfounded. In fact, post Covid competitor behaviour (recognised in the Third Party Submissions) demonstrates the opposite. Multiple Chinese carriers have re-entered or expanded, consistent with the Alliance having no detrimental effect on competition;
 - (d) the Alliance does not prevent competition on domestic and regional New Zealand routes; and
 - (e) conditions or enhanced monitoring are unnecessary. The Alliance already delivers tangible consumer benefits. Imposing prescriptive conditions or additional monitoring would reduce flexibility and impose cost without delivering offsetting benefits.
- 1.3 For completeness, there are also some factual points in the Third Party Submissions that the Applicant’s wish to correct for the record.
- 1.4 Ultimately, none of the points raised in the Third Party Submissions undermine the conclusion that the Alliance satisfies the test for authorisation. The Alliance will continue to deliver benefits to New Zealand and does not result in any competitive detriment. It does not remove any competition, services or benefits that would be available without the Alliance.
- 1.5 The Applicant’s claim confidentiality for this submission. A public version will be provided separately, and information redacted in the Public Version in this Confidential Version is enclosed in square brackets and highlighted green (being information which is confidential to Air New Zealand), blue (being information which is confidential to Air China), pink (being information which is confidential to the Applicants), or red (being information which is confidential from both parties) (the “**Confidential Information**”).

¹ Defined terms in this response have the same meaning as in the Application, unless otherwise specified.

2. Third party submissions recognise the benefits of reauthorisation

2.1 As set out in the Application, in the now ten years since it was first authorised, Air New Zealand and Air China have together delivered significant benefits to New Zealand consumers as a result of the Alliance.² The Applicants are pleased to see that the majority of the Third Party Submissions write in support of reauthorisation of the Alliance in recognition of these benefits.³

- (a) The Tourism Industry Association recognises the importance of the Alliance in supporting tourism between New Zealand and China:⁴

With China being a major inbound visitor market for New Zealand with 248,391 international arrivals (YE June 2025) and expenditure of \$1.2b (YE March 2025), **there is a national interest in fostering the growth and development of this market** (own emphasis added).⁵

- (b) Tourism New Zealand similarly recognises the important role the Alliance has in accelerating international tourism between New Zealand and China (through the increased marketing of New Zealand as a destination and ongoing and important capacity between China and New Zealand). It also highlights the Alliance's role in providing stability of services which enables it, and other organisations, to make long-term investment decisions.

- (c) Auckland Airport does not oppose reauthorisation of the Alliance and recognises *"the benefit of an ongoing commercial relationship between the flag carriers of New Zealand and China."*⁶ It further recognises 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**"* (own emphasis added).⁷

- (d) Whilst expressing some concern, albeit largely with airline alliances generally, NZ Airports also acknowledges benefits and, on balance, supports reauthorisation.

2.2 Suggestions that the benefits delivered by the Alliance are "relatively minor", "incremental" or are otherwise "diminishing over time" are misplaced. The long-running, government-imposed travel restrictions (which were not officially lifted until January 2023) have significantly impacted the parties' ability to deliver the benefits previously recognised by the Ministry. However, going forward the Alliance remains critical to support the restoration of connectivity, capacity, passenger volumes and tourism between New Zealand and China. To that end, the Applicant's agree with the submission by Christchurch Airport in so far that it says that the focus of the Ministry's analysis should be forward looking.

2.3 The Alliance will continue to deliver the following benefits across New Zealand that would not be available in the counterfactual:⁸

- (a) the rebuilding of services on Alliance Sectors post-Covid;
- (b) lower average fares;

² See Section 8 of the Application for further detail.

³ The submission by the Travel Agents' Association does not oppose the Alliance but rather notes that any reauthorisation is conditional on genuine, measurable consumer benefits. Christchurch Airport is also supportive of airline coordination where, following a rigorous evaluation by the Ministry and key industry stakeholders, the evidence indicates that the public benefits outweigh any public detriment.

⁴ Tourism Industry Aotearoa "Re-authorisation of Air New Zealand and Air China Strategic Alliance" page 1.

⁵ Further to Section 4 of the Application, preserving New Zealand's national interests is an additional purpose of the Civil Aviation Act 2023. The Alliance aligns with New Zealand's national interests in that it assists with strengthening New Zealand's economic ties and bilateral trade and tourism relationship with China.

⁶ Auckland Airport "Auckland Airport submission on reauthorisation of the Air China and Air New Zealand Strategic Alliance" pages 1 and 6.

⁷ Auckland Airport "Auckland Airport submission on reauthorisation of the Air China and Air New Zealand Strategic Alliance" page 6.

⁸ For further detail see Section 8 of the Application.

- (c) stimulation of tourism to New Zealand;
 - (d) enhanced loyalty and frequent flyer programme (**FFP**) benefits;
 - (e) continued competition in the freight market; and
 - (f) schedule optimisation providing customers with a benefit choice of flight times to other parts of New Zealand and China respectively.
- 2.4 In particular, the Alliance enables greater distribution of Chinese tourism spend across New Zealand via the codeshare on domestic New Zealand routes.⁹ By incentivising Air New Zealand to open up its domestic network to Air China, the Alliance stimulates travel to regions beyond Auckland, including Christchurch.
- 2.5 As set out in the Application, there has been significant growth in Air China passengers connecting to domestic New Zealand over the course of the alliance. With regards to Christchurch specifically, [REDACTED].¹⁰ These increased domestic connections are in part a result of the enhanced slot timings the Applicants have been able to negotiate pursuant to the Alliance. For example, as a result of the Alliance, Air China was able to bring forward the arrival of its PEK – AKL service (CA 783) by an hour which will enable an estimated 33 additional domestic New Zealand connections per week from NW25.
- 2.6 With regards to stimulating tourism to New Zealand more generally, discussions remain ongoing between the Air New Zealand, Air China and Tourism New Zealand in connection with planned marketing campaigns in China pursuant to the Alliance and the tripartite Memorandum of Understanding respectively (with a combined proposed spend of [REDACTED] in relation to these specific campaigns).¹¹
- 3. The benefits of the Alliance exceed those available pursuant to the Star Alliance**
- 3.1 NZ Airports note that both Air New Zealand and Air China are members of the Star Alliance network and suggests that the FFP and lounge access benefits available as a result of the Alliance are not incremental to the Alliance.
- 3.2 As members of the Star Alliance, Air New Zealand and Air China are required to have an *interline* agreement in place which covers each other's respective networks, as well as provide each other's passengers a minimum level of loyalty benefits, including the ability to accrue and redeem frequent flyer benefits on the other carrier's network when travelling within certain fare classes, and respective access to each other's lounges, depending on the Star Alliance membership status.
- 3.3 The bilateral arrangement agreed and implemented under the Alliance goes materially further than these minimum levels. In summary, this is because:
- (a) The Alliance incentivises the Applicants to provide much greater access to each other's network than required under the Star Alliance minimums.¹²

⁹ The analysis included in the submission by Christchurch Airport is framed almost entirely through a Christchurch lens. While the Alliance services technically arrive/depart in Auckland, the Alliance is national in scope and delivers benefits across New Zealand.

¹⁰ For further information see Table 2 of the Application.

¹¹ See for example [REDACTED].

¹² Pursuant to the Alliance, a member of a Party's Programme enjoys metal neutrality as to which of the Party's flights they travel on in respect of that member's ability to accrue benefits on flights operated by either Party and codeshare flights marketed by either Party, in each case on the Alliance Routes under that member's Programme. Over and above Star Alliance minimums:

- Airpoints Members earn Airpoints Dollars and Status Points when flying on Air China flights for revenue travel on Alliance Routes in equal proportion to those earned on Air New Zealand operated flights and Air China honours and accepts Airpoints Awards issued by Air New Zealand to such Airpoints Members to redeem Air China Flights.
- PhoenixMiles Members earn PhoenixMiles credit and qualifying mileage / qualifying segments when flying on Air New Zealand Flights for revenue travel on Alliance Routes in equal proportion to those earned on Air China operated flights and Air New Zealand honours and accepts PhoenixMiles Awards issued by Air China to PhoenixMiles Members to redeem Air New Zealand Flights on terms and conditions as set out in the FFP Agreement.

- (b) Passengers accrue frequent flyer points on lower booking classes under the Alliance than required under Star Alliance alone.¹³ Meaning more passengers are receiving loyalty benefits.

4. Rebuilding of services on Alliance Sectors

- 4.1 Despite the evidence to the contrary, Auckland Airport asserts that the Alliance has “underdelivered” in terms of capacity growth and has not translated into increased connectivity or more options for travellers. These assertions are selective and ignore the evidence.
- 4.2 Firstly, the Alliance has enabled the introduction of the Beijing route. As set out in the Application, this has resulted in the overall capacity of Alliance services increasing by [REDACTED]% since commencement of the Alliance. Absent the Alliance, [REDACTED] and [REDACTED]. Travellers therefore have the option of the Auckland – Beijing route as a result of the Alliance. As to services to Shanghai, [REDACTED]. [REDACTED].
- 4.3 Even putting aside the impact of Covid-19, the Alliance offers travellers more options for travel between New Zealand and China.
- 4.4 The Applicants have also optimised the schedule of the Beijing service to provide their customers with a better choice of flight times to other parts of New Zealand and China respectively. With the support of Air China, Air New Zealand was also able to secure more consistent first bank departure times from Shanghai on all days of the week (resulting in greater convenience for passengers and delivering some operational efficiencies through a modest reduction in Shanghai ground times).
- 4.5 The Alliance has played, and will continue to play, a critical role in rebuilding tourism and traffic between China and New Zealand. The Covid-19 travel restrictions have had a significant and long-running effect on Alliance services. While capacity is not at pre-Covid levels, it is tracking well ahead of demand, particularly inbound demand from China which is only at 52%¹⁴ of pre-Covid levels. While the parties have trimmed capacity on Alliance services due to aircraft availability (largely as a result of the Rolls Royce engine issues) and weak demand post Covid-19, the Applicants continue to assess and pursue opportunities to sustainably add or maintain capacity where supported by underlying demand and commercial viability. By way of context, Air New Zealand’s capacity on Shanghai services relative to the pre-pandemic position is higher than (in respect of FY24) and broadly consistent (in respect of FY25) with its capacity on other long-haul routes (excluding Shanghai).¹⁵
- 4.6 Initiatives are being undertaken by the Applicants to restimulate demand. One example of this is Air New Zealand’s retrofit program on its Boeing 787-9 (Dreamliner) aircraft utilised for services to Shanghai. Traditionally, there has been a high demand for business class seats from travellers from Shanghai so these changes are aimed at improving demand for Alliance services through an enhanced onboard experience. The recently signed tripartite MOU with Tourism New Zealand is a further example.¹⁶

5. Opposition is largely premised on an unrealistic counterfactual

- 5.1 The Applicants strongly disagree with the suggestion by Christchurch Airport that the Alliance is a “defensive alliance” and that greater competition would exist in any likely counterfactual. Christchurch Airport’s alternative counterfactual is speculative, lacks an evidential basis, and reflects a highly regional perspective. The statutory test requires consideration of benefits to the New Zealand public overall, not to individual airports in isolation.
- 5.2 It would not be in New Zealand’s national interest for Air China (a flag carrier) to exit the market as implied by Christchurch Airport. The direct Beijing service has provided significant benefit to

¹³ The principle of Metal Neutrality applies for Airpoints Members such that their published benefits received on Air New Zealand operated flights relevant to their level of Tier Status, equally apply when flying on Air China operated Alliance Sectors or Feeder Routes for revenue travel. The tier status levels applicable for Airpoints Members are Silver, Gold, Elite and Elite Partner as well as Koru member.

¹⁴ 2024 versus 2019 Stats NZ data.

¹⁵ Capacity in respect of FY26 is still to be finalised.

¹⁶ For further information, see Section 8 of the Application.

New Zealand over the past decade, supporting trade, tourism and wider government to government links. The implication that it would be preferable for this traffic to be routed through other Chinese ports simply to capture some incremental Christchurch passengers overlooks the broader national benefits of maintaining a strong, direct Beijing connection.

The Alliance does not reduce actual or potential competition between Air New Zealand and Air China

5.3 The Applicants have never operated on the same route at the same time [REDACTED].

5.4 To briefly recap:

(a) [REDACTED].

(b) [REDACTED].

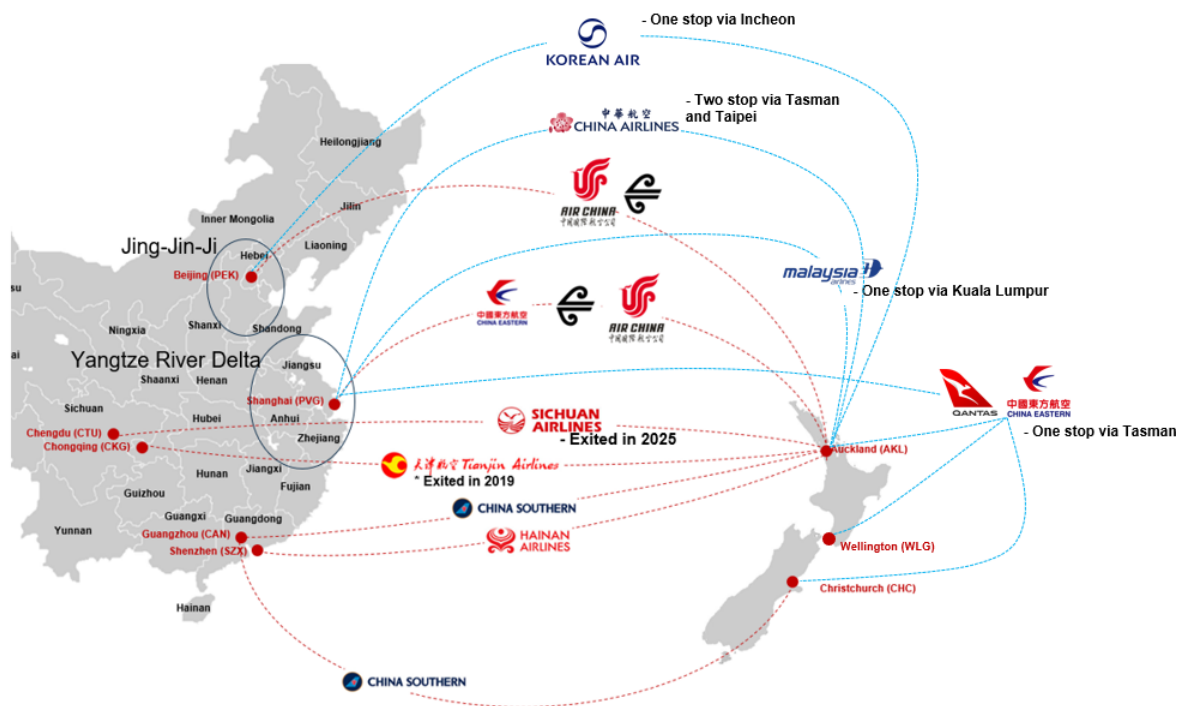
5.5 The Applicants acknowledge that the materials underpinning their respective counterfactual submissions remain redacted above and in the public version of the Application. This is because these materials contain information which is confidential and commercially sensitive. However, the Applicants have provided the Ministry with a full, unredacted version of this submission, the Application and the Counterfactual Submissions. The Ministry therefore has the relevant level of detail necessary for it to make a full and proper assessment.

The Alliance itself has not and does not restrict the ability of other carriers to offer services between New Zealand and China, which is acknowledged in the Third Party Submissions

5.6 In general terms, alliances facilitate scale, allowing Air New Zealand to compete more effectively against much larger offshore carriers, and sustain services that otherwise may not be viable. With regards to the Alliance specifically, it has intensified competition in the China – New Zealand market by facilitating an additional route, as well as ensuring that Air New Zealand is a more effective competitor to China Eastern on services between Auckland and Shanghai.

5.7 The number of competing airlines operating in the relevant market illustrates that it is highly competitive and that the Alliance does not “lock out” other airlines. As described in the Application, there are a large number of airlines currently operating between New Zealand and China as illustrated in Figure 1 below. This includes China Eastern, China Southern, Qantas, Sichuan Airlines and Hainan Airlines.

Figure 1: Carriers operating between China and New Zealand as at 1 June 2025



5.8 The competitive landscape is becoming more reflective of pre-pandemic levels. Each of the airlines (with the exception of Tianjin Airlines) resumed services in some capacity to New Zealand post-Covid with a willingness to compete hard. As some of the Third Party Submissions recognise,¹⁷ competitors are also significantly increasing their capacity between China and New Zealand post-Covid, in some instances beyond the capacity currently offered by the Applicants.¹⁸ For example, the submission by Auckland Airport provides evidence of China Eastern and Hainan Airlines expanding their services to New Zealand relative to 2019, stating that these examples “demonstrate that the market remains vibrant and innovative and that pricing discipline is upheld through natural competitive forces”.¹⁹

5.9 Since the Application was submitted, Hainan Airlines has announced it plans to commence a Chongqing-Haikou-Auckland service this month.²⁰ Air New Zealand also understands that [REDACTED]. In addition, the proposed “Southern Link” for cargo flows to South America means that services via New Zealand from China will become increasingly important for carriers on this route.²¹ China Eastern has already announced additional services from China via Auckland in connection with this.

6. The Alliance does not contribute to an adverse “cumulative” effect

6.1 As Air New Zealand has previously submitted, Air New Zealand’s rationale for each of its Asian alliances is unique and each of the Cathay Pacific, Air China and Singapore Airlines alliances serve different parts of Asia from their respective gateways. Furthermore, capacity has significantly grown in the markets served by the alliances, which indicates that competition has not been impacted by the JVs.

6.2 Air New Zealand’s alliances are critical to provide New Zealanders with connectivity to a much wider range of destinations, and to provide inbound tourists with enhanced connectivity into and

¹⁷ For example, the submission by Christchurch Airport provides “Other carriers outside of the alliance have recovered traffic faster since COVID than the alliance has” and that “China Southern’s (CZ) daily service between Guangzhou and Christchurch (CAN-CHC) shows that services are not only viable outside of alliance arrangements but are also willing to invest to grow traffic faster.”

¹⁸ The submission by Auckland Airport suggests that capacity between Auckland and China – excluding Alliance services – has “grown 15% between 2019-2025”. See page 3.

¹⁹ AIAL submission, page 3.

²⁰ See for example, <https://www.instagram.com/p/DNhsNjET208/>

²¹ See for example, paras. 5.11 and 5.17 of the Application.

within New Zealand. Most airlines lack the size and scale to provide a network with sufficient choice and flexibility to satisfy all of their customers' demands. Size and scale disadvantages are particularly acute for New Zealand given our geographic isolation at the 'end of the line'. New Zealand does not have a large local market which can be drawn upon to sustain long-haul services. It should therefore come as no surprise that Air New Zealand has a number of alliance arrangements.

- 6.3 Christchurch Airport's submission demonstrates a lack of understanding of the necessity of these relationships to generate tourism and increase passenger traffic. It uses as an example that Air New Zealand has code-share arrangements with eight airlines on the SYD-CHC service alone. Codeshare relationships do not restrict entry onto routes. In reality, without codeshare arrangements with those carriers, Air New Zealand would not be able to pick up that traffic at all and Christchurch would not get the benefit of increased passengers throughput.
- 6.4 To recap, Air New Zealand has three core reasons for entering into alliances:
- (a) to enhance connectivity to destinations beyond Air New Zealand's own network via another airline's network; and/or
 - (b) to drive incremental passenger traffic onto its own network by utilising the sales and distribution strength of its partners in their home markets where Air New Zealand's presence is comparatively weaker; and/or
 - (c) to enhance the customer experience through bilaterally negotiated benefits (e.g. loyalty benefits, priority check in, baggage allowances, lounge access and boarding).
- 6.5 As to the Alliance specifically, the rationale for this has not changed since it was first authorised ten years ago. In short, the Alliance continues to provide Air New Zealand with greater security over its Shanghai service through the support of a strong Chinese carrier. For the reasons explained in further detail in the Application, it has also enabled Air New Zealand to compete more effectively on the Auckland – Shanghai route. The Alliance ensures Air New Zealand passengers can connect into a wider range of destinations and at more competitive fares than would be available without the Alliance.
- 6.6 The Alliance is therefore very much in line with this broader rationale and any suggestion that the purpose of the Alliance is "defensive" and designed to "geographically segment China between Air New Zealand and Air China" is unfounded.
- 6.7 Air New Zealand brings a sustained presence, with a focus on long term, sustainable growth rather than short-term tactical deployment. By contrast, offshore carriers are typically much more opportunistic, as New Zealand – China services are not typically strategically important for them in the way they are for Air New Zealand. Christchurch Airport points to the role of subsidies or other incentives in facilitating entry by offshore carriers. Whilst we do not comment on the specifics of those arrangements, Air New Zealand's experience is that its own decisions are grounded in underlying passenger and freight demand, which is the basis on which long-haul services can be sustained and deliver enduring benefits for New Zealand.
- 6.8 For Air China, [REDACTED]. The direct Beijing service continues to provide the New Zealand public with more choice and availability of services to China, as well as enabling a greater distribution of Chinese tourism spend across New Zealand.

7. The Alliance does not prevent competition on domestic and regional New Zealand routes

- 7.1 Christchurch Airport asserts that the Alliance hinders its ability to grow traffic on existing or new services into the South Island. The basis for this assertion appears to be a counterfactual involving increased total traffic between China and New Zealand through greater competition by other airlines. It is unclear what counterfactual Christchurch Airport is contending, but in any event the statutory test is whether the Alliance delivers public benefits (for New Zealand), not whether it serves the more narrow interests of a particular airport or region. While the Alliance does not have a direct international service to Christchurch, it has resulted in a significant increase in Air China

passengers connecting into Christchurch and has benefited tourism and trade throughout the South Island.

- 7.2 In a similar vein, the New Zealand Airports Association questions whether the Alliance has the effect of locking out competition for Air New Zealand on domestic and regional routes.
- 7.3 For the avoidance of doubt, neither airline has committed to providing exclusive feed to the other. In simple terms the cooperation between Air New Zealand and Air China amounts to revenue sharing only and does not involve exclusivity. By way of example, Air New Zealand [REDACTED].

8. **Factual inaccuracies**

- 8.1 For completeness, there some factual inaccuracies presented in the Third Party Submissions which the Applicants wish to correct for the record.
- (a) While United Airlines is an alliance partner of Air New Zealand has been since 2016, it is not correct to characterise this partnership as “perpetual”. Under Schedule 1, section 35 of the Civil Aviation Act 2023 the authorisation will expire. Like all alliances, it is therefore subject to periodic review and renewal under Part 6 of the Act, with reauthorisation required under section 199.
- (b) The Strategic Alliance between Air New Zealand and Singapore Airlines does not include direct or one-stop services to China. While Singapore Airlines may have direct/one stop services to China, these services are not covered by the Strategic Alliance. For the avoidance of doubt, [REDACTED].
- (c) Air New Zealand has a codeshare relationship with Qantas for selected Australian domestic flights when traveling on an Air New Zealand ticket that includes a connection to an international Air New Zealand flight. One of the Third Party Submissions appears to suggest that this partnership requires regulatory approval. This is not correct. Codesharing differs from integrated alliances/JV’s given that pure codesharing agreements do not involve any form of pricing or capacity cooperation between relevant airlines. The Air New Zealand/Qantas codeshare is purely arms-length and does not involve any coordination between the two carriers. Accordingly, it does not require regulatory approval. By contrast, Air New Zealand’s codeshare with Virgin Australia was a more integrated arrangement and did require authorisation. That codeshare was rigorously reviewed and approved by both the Australian Competition and Consumer Commission (ACCC) and the New Zealand Ministry of Transport. Demonstrating that where approval is required, Air New Zealand has obtained it, and that regulators have found no competition concerns with such cooperation.

9. **Commitments are not necessary or appropriate in this case**

- 9.1 The Travel Agents Association submits that reauthorisation should be conditional on measurable consumer benefits.²²
- 9.2 The Applicant’s position is that commitments may be warranted where an alliance is not otherwise likely to deliver net public benefits. However, that is not the case here. As Air New Zealand has previously submitted, conditions are not ‘costless’ – they constrain a carriers’ ability to react dynamically to market conditions which is why they should be preserved for specific instances where there is a real risk an alliance will not otherwise delivery net benefits.

10. **No need for greater monitoring / evaluation**

- 10.1 Some of the Third Party Submissions suggest that the Alliance should be subject to greater monitoring, including in light of the capacity into New Zealand relating to Air New Zealand’s alliances.²³

²² Travel Agents Association “*Submission on behalf of Travel Agents’ Association New Zealand (TAANZ)*” paras. 4-7.

²³ For example, the submissions by Auckland Airport and TAANZ.

- 10.2 In the Applicant's view, introducing enhanced monitoring needs to be weighed against the need to give parties sufficient certainty to make investment decisions. Air New Zealand's alliances come up for periodic renewal, at which point the Ministry can look and analyse the relevant data and form a recommendation for the Minister as to whether or not authorisation remains in the interests of New Zealand. The Ministry looks at a great deal of data as part of this process, and forms a considered view. The Minister will then make his or her decision. That is the appropriate process. Anything which layers on more complexity will increase cost and decrease the certainty required for airlines and other stakeholders to plan with sufficient certainty during the period of authorisation, for no real offsetting benefit.
