



MINISTRY OF TRANSPORT
TE MANATŪ WAKA

British Airways, Qatar Airways and Iberia Airlines Joint Business Agreement Reauthorisation

Ministry of Transport Analysis

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Executive summary

- 1 On 23 January 2025, British Airways and Qatar Airways, with Iberia Airlines as an added party, jointly applied for authorisation, pursuant to section 88 of the Civil Aviation Act 1990, to coordinate their air passenger services on 26 routes between Auckland and the UK or Europe, which incorporate the London-Doha trunk route. Currently, British Airways has no direct flights to or from New Zealand, while Qatar Airways usually offers daily flights from Doha to Auckland.
- 2 The proposed codeshare arrangement may include coordination of schedules, revenue planning and pricing, sales and marketing activities, and service parameters and standards. Authorisation is sought for a term of 5 years. The coordination would be based on an amended Joint Business Agreement between the applicants.
- 3 The effect of authorisation under this section is that the proposed cooperation would be exempt from the provisions of the Commerce Act 1986 that prohibit arrangements substantially lessening competition.
- 4 The Ministry of Transport recommends that the Minister of Transport authorises the proposed arrangements for British Airways, Qatar Airways and Iberia Airlines to coordinate their air passenger services.
- 5 We consider that there are public benefits from the proposed cooperative arrangement, as it will continue to provide improved connectivity and capacity between New Zealand, the UK, and other European destinations and is not likely to reduce competition on the affected routes.
- 6 The proposed cooperative arrangement meets the statutory conditions for authorisation under section 88 of the Civil Aviation Act 1990.

Introduction

- 7 Under the Civil Aviation Act 1990, the Minister of Transport is responsible for authorising or declining to authorise arrangements between airlines that relate to fixing tariffs or capacity. The Ministry of Transport provides advice to the Minister on whether authorisation would be consistent with the criteria set out in the Act, and in New Zealand's interest.
- 8 The effect of authorisation is that the arrangements are exempt from the provisions of the Commerce Act 1986 that prohibit arrangements substantially lessening competition.
- 9 This report provides the Ministry's analysis of British Airways and Qatar Airways' application for reauthorisation of their proposed coordination of air passenger services on 26 routes between Auckland and the UK or Europe, which incorporate the London-Doha trunk route.

Background on airline agreements

- 10 International aviation is governed by a network of thousands of bilateral air services agreements. These agreements often restrict the destinations airlines can serve and the capacity (number of seats on flights) they can provide. Many of these agreements also require airlines to be majority-owned by nationals of their home state. This makes it difficult for airlines to merge or establish cross-border joint ventures in the same way that most other businesses can.

- 11 No single airline can operate every possible route in the world. To overcome the restrictions imposed in bilateral air services agreements and the inability to serve all routes with their own aircraft, airlines have developed several means of working with one another to expand their global reach, through airline alliances or cooperative arrangements.
- 12 However, alliances require authorisation in many jurisdictions as they might otherwise breach competition law, and to ensure the benefits of cooperation outweigh the risk of lessening competition.
- 13 Cooperation between airlines generally takes one of several forms.
 - **“Interline” arrangement:** in which one airline buys tickets for travel on another airline at a pre-determined price.
 - **Codeshare arrangement:** an agreement through which an airline is effectively given the ability to sell seats on flights operated by another airline as if it were operating that flight with its own aircraft. Codeshare agreements are relatively common and, without additional cooperation, rarely raise competition issues.
 - **Revenue sharing alliance:** an extensive commercial agreement in which two or more airlines agree to cooperate on all aspects of pricing, scheduling and service delivery in a particular market. These arrangements are generally subject to a much higher level of regulatory scrutiny as they have the potential to reduce competition. The agreements under which the Applicants are currently working have a degree of cooperation similar to those of a revenue-sharing alliance.
 - **Global airline alliance:** many airlines are members of one of three global alliance groups: Star, Oneworld and Skyteam. Members of global alliances work together to provide services to consumers by cooperating in areas such as marketing, scheduling, ticketing, and frequent flier schemes. The level of cooperation differs between members; however, it is common for members of the same groups to enter into interline and codeshare agreements with one another. Both British Airways and Qatar Airways are member of the Oneworld global airline alliance
- 14 Alliances can benefit consumers, for example, by providing better access to connecting flights, more choices of routes, and the ability to earn and redeem frequent flyer points across the networks of all participating airlines. Alliances also have the potential to reduce costs for airlines, which in competitive markets results in lower airfares for consumers. Wider benefits can include increased tourism, as airlines have more incentives to market New Zealand as a tourist destination, more trade opportunities, and greater access for exporters in time-sensitive markets.
- 15 However, alliances can carry significant risk as they can typically lessen competition, which can lead to higher fares or reduced services.

The applicants

Qatar Airways

- 16 Established in 1993, Qatar Airways is the national carrier of the State of Qatar and one of the fastest growing airlines. It flies to more than 170 destinations, carries approximately 40 million passengers a year, and has a fleet of 258 aircraft. The daily Doha-Auckland flight is one of the world's longest direct commercial routes.
- 17 Qatar Airways has operated in New Zealand since 2017. It continued to operate to New Zealand during the pandemic, although at a reduced frequency to three times per week via Brisbane. The daily direct service between Auckland and Doha recommenced in September 2023.
- 18 Qatar Airways offers daily flights between Auckland and London, and Auckland and Manchester, via Doha. It also offers daily flights between Christchurch and London via codeshare or interline arrangements with Cathay Pacific, Qantas and Jetstar.

British Airways

- 19 British Airways is the United Kingdom's national carrier, based in London. It has a fleet of over 285 aircraft. It flies to more than 200 destinations in over 75 countries and carries more than 43 million passengers a year. However, it does not operate its own aircraft to New Zealand.
- 20 British Airways usually does market flights to New Zealand, which involve transferring onto the aircraft of codeshare partners for the final leg into New Zealand. Its codeshare partners already include Qatar Airways from Doha to Auckland, as well as Malaysia Airlines from Kuala Lumpur, Cathay Pacific from Hong Kong, and Qantas from Sydney.
- 21 British Airways is part of International Airlines Group (IAG), which it formed from a merger with the Spanish airline Iberia in 2011.

Iberia Airlines

- 22 Iberia Airlines is Spain's largest airline and the main airline operating between Europe and Latin America. Together with Iberia Express and Iberia Regional Air Nostrum, it has a fleet of 167 aircraft and offers flights to 143 destinations in 50 countries around the world from Madrid airport.

Outline of the proposal

- 23 The proposed arrangement may include coordination of schedules, revenue planning and pricing, sales and marketing activities, and service parameters and standards. Authorisation is sought for 5 years, until 31 May 2025.

Previous authorisation

- 24 The arrangement is based on an existing Joint Business Agreement (JBA) between British Airways and Qatar Airways, which was originally entered into on 17 November 2016 and subsequently amended and restated on 15 May 2018.
- 25 On 19 November 2019, British Airways and Qatar Airways jointly applied for authorisation, pursuant to section 88 of the Civil Aviation Act 1990, to coordinate their air passenger services on 26 routes between Auckland and the UK or Europe, which incorporate the London-Doha trunk route. On 10 May 2020, the Minister of Transport authorised the agreement for five years to 31 May 2025.

Amendments made to the Joint Business Agreement since the last authorisation

- 26 On 22 June 2023, the JBA was amended for a second time and restated in its entirety, with Iberia added as a party¹. The second amended JBA governs how the parties will cooperate on air passenger services for up to 65 countries.
- 27 Under the second amended JBA, the airlines have agreed to a phased approach:
- “Phase 1” will include cooperation between countries in: (i) Europe (including the United Kingdom (UK)), (ii) certain countries in the Middle East, Asia, Africa and Australasia (Phase 1 Territories), and
 - s 9(2)(b)(ii)
- 28 Under the second amended JBA, the parties may coordinate their activities in various ways for each Joint Business Territory (unless otherwise stated), including in relation to:
- schedule coordination
 - network strategy plans and capacity changes (currently limited to London-Doha and Madrid-Doha)
 - revenue planning
 - joint pricing
 - sales e.g. fare combinability, joint selling (currently limited to London- Doha and Madrid-Doha) and dealing through direct and indirect channels
 - marketing

¹ Iberia Airline’s inclusion enables cooperation with British Airways and Qatar Airways to support the commencement of its Madrid-Doha route s 9(2)(b)(ii) Note: Iberia and British Airways were already interconnected bodies corporate, having merged in 2010.

- service parameters and standards e.g. routings, frequencies, connection requirements and times
 - product development and alignment of passenger handling policies and service procedures (currently limited to London-Doha and Madrid-Doha)
 - frequent flyer programmes
 - sharing and alignment of best practices and tools.
- 29 Under the second amended JBA, the parties have also agreed to share revenues through a mix of benefit revenue sharing agreements, codeshare agreements and special prorate agreements.
- 30 The agreement provides the applicants with access to routes connecting to the London-Doha route that they do not serve with their own aircraft. s 9(2)(b)(ii) [REDACTED]
[REDACTED] However, on all connecting routes, the applicants have a codeshare arrangement, and revenue is not shared. The proposed coordination on routes to New Zealand would also involve code sharing and may include coordination in relation to joint pricing.
- 31 The agreement does not involve any air cargo services.

Scope of authorisation

- 32 The Applicants are seeking continued authorisation under section 88(2) of the Act to make and give effect to the Joint Business Agreement, including implementing agreements. The Applicants state that:
- At present, the scope of their cooperation is confined to services between countries from which clearance from the relevant competition authority has been sought, known as a Joint Business Territory.
 - s 9(2)(b)(ii) [REDACTED]
[REDACTED] .
- 33 s 9(2)(b)(ii) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- 34 As such, the scope of authorisation is limited to Phase 1 only (which is covered under the current authorisation).

Commercial rationale for the agreement

- 35 The applicants submit that there has been no material change to the commercial rationale for the agreement. The applicants submit that the New Zealand routes are significant in supporting the London-Doha and London-Madrid trunk routes, as they help maximise passenger numbers and improve the commercial viability of those routes.
- 36 The applicants also submit that air travel is a highly competitive industry. Due to the competitiveness of the New Zealand routes, there is pressure to pass cost efficiencies onto consumers. Value-add services such as loyalty benefits, including a reciprocal frequent flyer points scheme, easier ways to book flights, and a broader network strongly influence customer choice.

Framework for our analysis

- 37 Our analysis of the proposed reauthorisation of the JBA includes analysis against the strict statutory criteria in the Civil Aviation Act 1990, and a public interest assessment.

Statutory analysis

- 38 The Applicants have applied for authorisation in accordance with section 88 of the Act. The Act provides for an exemption from certain prohibitions in the Commerce Act 1986 for cooperative arrangements between international airlines.
- 39 Section 88 of the Act sets out a number of statutory preconditions that need to be met by all provisions of the arrangements for which authorisation is being sought.
- 40 We have analysed the provisions of the amended Joint Business Agreement and related Implementation Agreements provided against the statutory criteria set out in the Act. We have found that they do not breach any of the Act's criteria. We have reviewed these and continue to find that they satisfy the Act's criteria.

Compliance with any relevant international convention, agreement, or arrangement (section 88(3))

41 s 9(2)(h)

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s 9(2)(h)

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Provides for direct or indirect enforcement through fines or market pressures against any person (section 88(4)(a))

s 9(2)(h)

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Has the purpose or effect of breaching the terms of a commission regime under section 89 (section 88(4)(b))

s 9(2)(h)

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Unjustifiably discriminates between consumers of international air services in the access they have to competitive tariffs (section 88(4)(c))

s 9(2)(h)

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s 9(2)(h)

Regarding tariffs, has the effect of excluding any supplier of international carriage by air from participating in the related market (section 88(4)(d))

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s 9(2)(h)

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Has the purpose or effect of preventing any party from seeking approval of a tariff under section 90 (section 88(4)(e))

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s 9(2)(h)

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Prevents any party from withdrawing without penalty on reasonable notice from the contract, arrangement or understanding (section 88(4)(f))

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s 9(2)(h)

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s 9(2)(h)

Effect of declining authorisation on international comity (section 88(5))

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s 9(2)(h)

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Public interest analysis

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s 9(2)(h)

The public interest is also a relevant factor. In making the decision, the Minister may weigh any detriment to consumer welfare against any special considerations relating to the benefits of international air carriage in the relevant markets.

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Therefore, we have undertaken a comprehensive analysis of the proposed JBA to determine whether, on balance, authorisation is in the public interest. This consists of:

- an analysis of how the JBA affects competition in relevant air services markets
- consideration of the benefits claimed by the Applicants
- consideration of the likely detriments that authorisation would entail for New Zealand as a whole
- consideration of the counterfactual scenario (that is, what is likely to occur if authorisation is declined)
- an overall conclusion.

Competition analysis

- 73 As part of our analysis, the Ministry has reviewed how the JBA likely affects, and will affect, market share and airfares for international air services to and from New Zealand. We have defined the relevant markets as being those regions and countries which are covered by pricing coordination under the JBA. The relevant markets are selected because they are the markets most passengers travel to or from New Zealand
- 74 The primary markets (and their main routes) for the agreement are those between:
- **United Kingdom-New Zealand**, covering four routes: London to Auckland, Christchurch and Wellington and Manchester to Auckland.
 - **Europe-New Zealand**, covering three routes: Auckland to Frankfurt, Paris and Amsterdam.
- 75 In February 2017, Qatar Airways (QR) began flying to New Zealand operating a direct Auckland-Doha flight. This flight connects to Qatar Airways network operating from Doha to Europe and the United Kingdom (UK).
- 76 British Airways does not have any direct flights into or out of New Zealand. All flights on this airline to and from New Zealand are done so via code sharing or interline arrangements. This means that although British Airways does not operate from New Zealand to an intermediate destination, it operates from the intermediate destination to destinations in the UK and Europe.
- 77 The international aviation market experienced substantial disruptions during the Covid-19 pandemic following border closures around the world. There were notable shifts in the market share among operating airlines in 2021, although the total number of passengers was relatively small at that time.
- 78 The analysis focuses on the dominant operating airline (that is the airline that carried the passengers) rather than the dominant marketing airlines (that is the airline that sold the ticket), using data obtained from Cirium.
- 79 Our 2020 authorisation did not review airfares. This was in part to due being the first authorisation. For this authorisation we have included airfare analysis of the primary markets.

Table 1 Status of the market competition before and after 2020 for selected markets and routes

	Pre- 2020 market share of applicants	2023 to 2024 market share of the applicants	Market concentration (2014 to 2024)
United Kingdom			
London-Auckland	Small (BA < 2%, QR 10%)	Small (increased <2%)	Moderately concentrated
Manchester-Auckland	Medium (BA <1%, QR 25%)	Medium (decreased <3%)	Highly concentrated
London-Christchurch	Very small (BA & QR 2%)	Very small (increased 2%)	Highly concentrated
London-Wellington	Small (BA & QR <3%)	Small (BA 9%, QR 2%)	Moderately concentrated
Western Europe			

	Pre- 2020 market share of applicants	2023 to 2024 market share of the applicants	Market concentration (2014 to 2024)
Frankfurt-Auckland	Very small (BA & QR 10%)	Very small (no change)	Moderately concentrated
Paris-Auckland	Small (BA < 1%, QR 14%)	Very small (BA <1%, QR 9%)	Moderately concentrated
Amsterdam-Auckland	Very small (BA, QR < 9%)	Very small (no change)	Moderately concentrated

Market concentration

- 80 Both the UK-NZ and EU-NZ markets are competitive, with over 25 airlines providing services (except for 2021). Table 3 (Annex 4) lists the number of airlines with a market share of 1 percent or more over time. Overall, these airlines account for more than 95 percent of the total market share.
- 81 Except for 2021 and 2022, when the sector was severely affected by border closures, most routes have been moderately concentrated before and after the agreement (see Table 2, Annex 4).
- 82 In the Auckland-Frankfurt market, the number of operating airlines with more than a 1 percent market share decreased from 15 in 2019 to 10 in 2024. This is due to Thai Airways exiting the market and several airlines with a previously larger market share of up to 2 percent dropping to below 1 percent.
- 83 The Manchester-Auckland route has always been highly concentrated due to the dominant presence of Emirates, which holds around a 60 percent market share. Similarly, the London-Christchurch route was highly concentrated, except for 2017-2018.
- 84 The Frankfurt-Auckland and Paris-Auckland routes have experienced an increase in market concentration, with the HHI rising by around 300 between 2019 and 2024. The decrease in the number of airlines operating on the Frankfurt-Auckland route with more than a 1 percent market share might have contributed to this increase.
- 85 In contrast, the number of airlines with more than a 1 percent market share remained consistent in the Paris-Auckland route. The main operating airlines on this route (see Paris-Auckland) accounted for a larger market share in 2024 compared to 2019. For example, Air New Zealand's market share increased from 7.5 percent in 2019 to 19.6 percent in 2024.

Market share and airfare analysis

United Kingdom-New Zealand

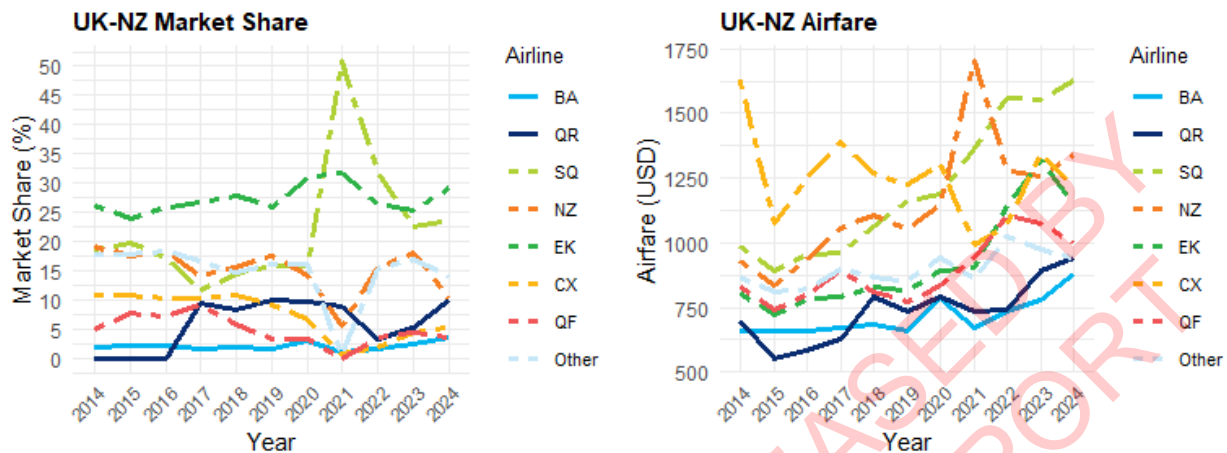


Figure 1 Market shares and airfares - United Kingdom-New Zealand market

- 86 The current main competition to Qatar Airways, British Airways, and Iberia comes from:
- Singapore Airlines, offering one-stop flights through Singapore
 - Air New Zealand, operating one-stop flights through several cities in the United States (Los Angeles, San Francisco, Houston), Canada (Vancouver), Hong Kong, and China (Shanghai)
 - Emirates, offering one-stop flights via Dubai
 - Qantas, offering one-stop flights via Sydney, and
 - Cathay Pacific, offering one-stop flights via Hong Kong.
- 87 The alliances of Singapore Airlines-Air New Zealand, Emirates-Qantas, and Air New Zealand-Cathay Pacific are dominant in the UK-NZ market, collectively holding 72 percent of the market share.
- 88 The market share of Qatar Airways has increased in 2017 since the introduction of a direct flight from Doha to Auckland. Currently, it holds a 10 percent market share, while British Airways holds 4 percent. Given British Airways' negligible market presence, the agreement has not significantly affected the competition in this market.
- 89 The majority (85%) of all passengers in the market travel in economy class, 15 percent travel in the other classes (premium economy, business, first class and other classes).
- 90 For the UK-NZ market, the applicants have always offered lower airfares compared to the main competitors. Data shows the applicants have delayed their average airfare changes in the period 2022 to 2024, while most competitors increased their airfares earlier during the 2020 to 2022 period.
- 91 Overall, average airfares for this market increased by less than 35 percent for both British Airways and Qatar Airways after the agreement (2019 vs 2024). These increases are comparable to those observed among dominant competitors, e.g. Singapore Airlines (40%), Air New Zealand (27%), Emirates (40%), and Qantas (30%). These increases reflect, to an

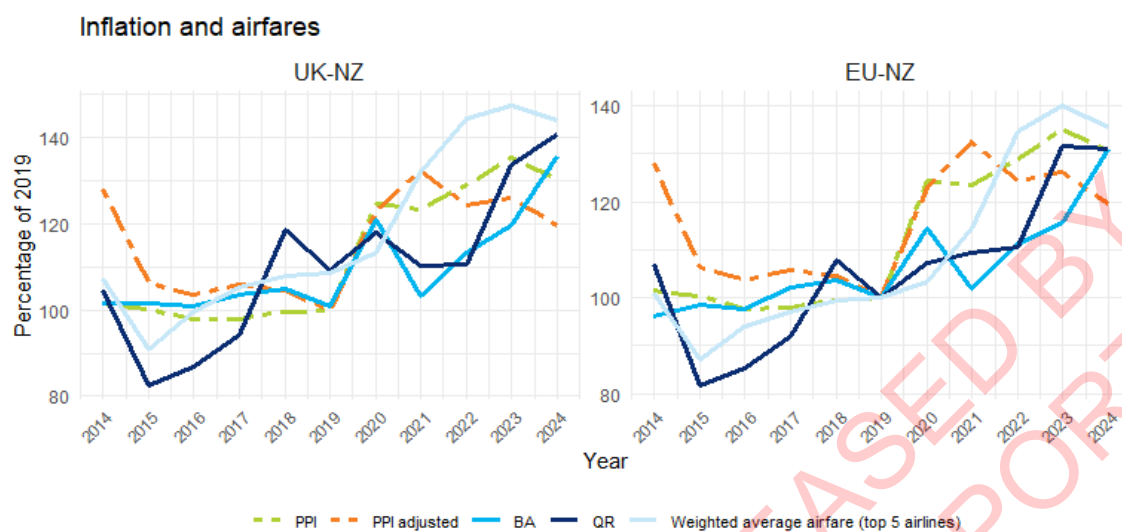
extent, the impacts of inflation and exchange rate changes. Globally, all airlines have faced increased jet fuel prices.

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Annex 2 List of operating airlines

Operating airline code	Operating airline name
BA	British Airways
QR	Qatar Airways
SQ	Singapore Airlines
NZ	Air New Zealand
EK	Emirates
QF	Qantas
CX	Cathay Pacific
LH	Lufthansa
TG	Thai Airways
MU	China Eastern Airlines
CZ	China Southern Airlines

Annex 3 Inflation and airfares



Note:

For comparison purpose, data for airfares and Producer Price Index (PPI outputs) has been indexed to 100 with 2019 as the base year.

The PPI has been adjusted for the NZD/USD exchange rate as airfares are expressed in USD.

- 92 Annex 4 Market shares and average airfares for select United Kingdom-New Zealand routes provides market shares and average airfares for four primary routes in this market.

London-Auckland

- 93 Overall, the competition in the London-Auckland market is strong, with Emirates and Singapore Airlines historically dominant. British Airways holds a low market share of less than 4 percent, while Qatar Airways has around 10 percent.

Manchester-Auckland

- 94 The Auckland to Manchester route is the least competitive, with Emirates as the dominant provider. However, there are still effective competitors (e.g., Qatar Airways and Singapore Airlines) on this route.
- 95 Qatar Airways held a significant market share of nearly 27 percent from 2017 to 2019, followed by a notable decline due to COVID-19, before rebounding to 23 percent in 2024. In contrast, British Airways has a low and stable market share of less than 1 percent.

London-Christchurch

- 96 The market is highly concentrated, with Singapore Airlines and Emirates commanding around 50 percent-70 percent of the market share.
- 97 The applicants collectively hold less than 5 percent of the market share, which does not have a material impact on competition. In the UK-NZ market, Qatar Airways had the least presence on this route, with 1 percent in 2019, dropping to 0.5 percent in 2024.

London-Wellington

- 98 British Airways' market share increased from 2.5 percent in 2019 to 9 percent in 2024. During this period, Air New Zealand's market share declined from 23 percent to 16 percent following the suspension of its direct flights from London Heathrow to Auckland in October 2020. Over the same period, Cathay Pacific's market share decreased from 10 percent to 5 percent due to the suspension of its direct flights on the Hong Kong-Auckland route. However, Cathay Pacific has since resumed this service in 2024.

Western Europe-New Zealand

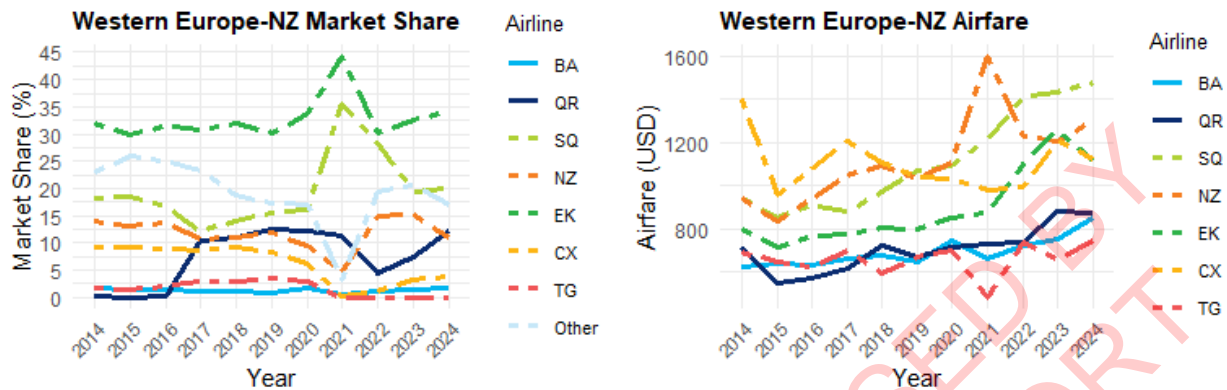


Figure 2 Market shares and airfares - Western Europe-New Zealand market

- 99 British Airways' presence between Europe and New Zealand is limited, with the airline holding less than a 2 percent market share (and <1% on selected routes). Qatar Airways passenger numbers have yet to return to pre-2020 levels in this market.
- 100 There are no direct flights available between New Zealand and Europe. Qatar Airways offers flights between New Zealand and Europe with a one-stop layover in Doha. The competition for the three Western Europe-NZ routes is strong, with the presence of airlines offering one-stop alternative flights. The main competitors to the applicants are:
- Emirates, offering a one-stop flight via Dubai
 - Singapore Airlines, offering a one-stop flight via Singapore, and
 - Air New Zealand, offering a one-stop flight through codeshare and interline arrangements via multiple destinations.
- 101 Overall, the main competitors to the applicants are Emirates, Singapore Airlines, Air New Zealand and Cathay Pacific, with Emirates holding the dominant market share (30% in 2019 and 34% in 2024). Qatar Airways holds a smaller market share (below 13% in both 2019 and 2024).
- 102 Previously, Thai Airways had a small market share (3.5% in 2019) in the Western Europe-NZ market (via Bangkok). However, in 2021 they ceased flying to New Zealand and have not returned. They are still present in the graph after 2021 (although the market share is 0.1%) because they offer a 2-stop alternative option via code sharing or interline arrangements with other airlines.
- 103 Cathay Pacific previously had a small market share (8.2% in 2019), but this decreased in 2023 and 2024 as the Hong Kong borders were closed until April 2023. Cathay Pacific is still trying to recover its pre-2020 passenger numbers.
- 104 The average airfares of the applicants in this market are lower than those of competitors (other than Thai Airways). § 9(2)(b)(ii)

- 105 Annex 5 Market shares and average airfares for select Western Europe-New Zealand routes provides market shares and average airfares for three primary routes in this market.

Frankfurt-Auckland

- 106 The market is moderately concentrated, with Qatar Airways holding a small market share (10% in 2019 and 2024).
- 107 Qatar Airways' average airfare is higher in 2024 compared to 2019; a trend observed across all airlines. Currently, the discount economy airfare class accounts for 89 percent of Qatar Airways' customers.

Paris-Auckland

- 108 The market is moderately concentrated, with Qatar Airways holding a small market share (14% in 2019 and 9% in 2024).
- 109 Since 2017, the applicants have offered the lowest airfares compared to its competitors. Discount economy airfares accounted for 83-100 percent of all passengers flying with these airlines in the past year. Additionally, business class passengers made up 4 percent of Qatar Airways' total passengers in the same period.

Amsterdam-Auckland

- 110 The market is moderately concentrated, with Emirates consistently holding the largest market share (near 27% in 2019 and 2024), and Qatar Airways holding a low market share (8% in 2019 and 2024).
- 111 China Southern Airlines ceased flying this route in 2021, recommenced its one-stop flight via Guangzhou in 2023 and began increasing its passenger numbers in 2024.
- 112 Average airfares of the applicants have not increased substantially since 2019. Discount economy class accounted for 90-100 percent of the applicants' passengers in the past year.

Public benefits

- 113 Public benefits refer to the benefits that are received by direct users of the codeshare and other consumers who benefit indirectly as a result of the codeshare. Our analysis has considered the following public benefits to be incurred to New Zealanders or those in New Zealand.
- 114 Passengers can expect several benefits from the JBA, including:
- a more convenient schedules
 - b better coordination of booking, check-in, and connections
 - c access to the loyalty programmes of both JBA parties
 - d the ability to combine different fare classes on multi-leg journeys.
- 115 Cooperation also allows for operational efficiencies and elimination of double marginalisation. Efficiencies could lead to a potential reduction in fares.
- 116 We expect that the potential benefits that were identified in the Ministry's 2020 analysis supporting the authorisation continue under the amended JBA. The significant disruption to

global aviation caused by COVID-19 makes it challenging to retrospectively analyse the benefits accrued by the existing JBA over the past five years."

117 We consider that continuing the JBA provides for international connectivity because:

- a it continues to support British Airways' small presence in the New Zealand market
- b it is unlikely to reduce the number of competitor airlines (see section below).

118 A copy of our previous analysis is available on the [Ministry website](#).

Consultation

119 The Ministry consulted interested stakeholders on the proposed authorisation of the applicant's codeshare arrangements between 4 February and 24 February 2025. Submissions were received from Auckland Airport and NZ Airports. Neither submission raised any objection to the authorisation of the proposed arrangements.

120 Auckland Airport supports the application based on benefits it identifies as increased consumer choice and connectivity. It also notes that by making Qatar Airways' service available through British Airways' network, the codeshare will potentially expose the route to a larger market.

121 NZ Airports supports Auckland Airport's submission and reiterates the view that reauthorisation will increase overall capacity and benefit New Zealand's inbound and outbound travellers. They also note an added benefit that the arrangement is outside of either the Air New Zealand or Qantas system of inter-airline arrangements for capacity into or out of New Zealand.

122 Both submissions noted that consideration of the costs and benefits of an agreement should take account of the cumulative effects of additional codeshare and alliance arrangements.

Counterfactual

123 Counterfactual analysis helps determine what would have happened in the absence of an airline alliance. If the application was declined, we do not necessarily expect any change to the applicants' current business in New Zealand. s 9(2)(b)(ii)

124 The JBA contributes to the applicants' wider international network strategy, rather than being driven by local or regional pressures.

125 s 9(2)(b)(ii)

126

Other jurisdictions

- 127 On 22 November 2022, the parties applied to the Australian Competition and Consumer Commission (ACCC) for authorisation to enable them to coordinate air passenger services on routes between Australia and the United Kingdom and Europe for 5 years.
- 128 On 11 May 2023, the ACCC issued a final determination granting authorisation until 2 June 2028. The ACCC reached a similar conclusion that the proposed conduct would likely result in public benefits from an enhanced product and service offering, cost savings and efficiencies and increased competition. The ACCC concluded that the proposed conduct would be unlikely to result in material public detriment given the number of other international airlines operating on routes between Australia and the UK/Europe, including on the 10 routes on which the Applicants overlap.
- 129 While ACCC's conclusions provide a useful point of comparison, they are specific to the Australian market. As such we have not given weight to them, nor are required to under the Act, in reaching our conclusions.

Future authorisations

- 130 The Civil Aviation Act 2023 comes into force from 5 April 2025.
- 131 Transitional provisions of the new Act state that an authorisation under the 1990 Act and in force immediately before the commencement date is treated as an authorisation given under the 2023 Act. This allows the Minister to vary the duration of an authorisation; vary or revoke the conditions that apply to an authorisation or specify new conditions; or revoke an authorisation. These actions can be taken if the Minister is satisfied on certain grounds including, if there has been a material change of circumstance.
- 132 In this case, a material change may include the parties wanting to bring s 9(2)(b)(ii) within the scope of the authorisation s 9(2)(b)(ii)

Conclusion

- 133 Based on our analysis and the counterfactual scenario, we consider that the amended JBA delivers benefits to New Zealand that outweigh any potential detriments.
- 134 The amended JBA continues to meet the statutory conditions allowing it to be authorised under section 88(2) of the Civil Aviation Act 1990.
- 135 On this basis, we recommend that the JBA is authorised for a further five years, ending 31 May 2030 as it relates Phase 1 territories s 9(2)(b)(ii)
The Applicants can seek further authorisation when needed.
- 136 We agree with the applicant's submission that, in the absence of the JBA, the counterfactual scenario would lessen competition with other carriers operating on routes to New Zealand.
- 137 Ultimately, we have asked whether New Zealand is better off by providing an additional way for passengers to travel between the United Kingdom and Western Europe and New Zealand. We conclude it does. The JBA provides additional international travel options than without it.

Annex 1 Herfindahl-Hirschman Index (HHI) calculations

The HHI measures market concentration using information on the market share of operating airlines (in this case, those with a market share of greater than 1%). It accounts for the relative size and distribution of airlines within the market. It approaches zero when a market consists of many smaller airlines. Conversely, the HHI rises with a reduction in the number of airlines and with an increase in the disparity of their market shares.

This index offers a more nuanced perspective on market competitiveness than merely counting the number of airlines. For example, even a market with 100 airlines could be non-competitive if two airlines control 90 percent of the market share, leaving little for the remaining airlines. The HHI is calculated as the sum of the squares of each airline's market share, as shown in the following equations.

$$A_i = \frac{S_i}{\sum_{i=1}^n S_i}$$

$$HHI = \sum_{i=1}^n (A_i)^2$$

Where:

i : the i -th airlines in the market

n : the number of airlines in the market

S_i : the annual number of passengers carried by the i -th airlines

A_i : the market share of the i -th airlines

HHI : the Herfindahl-Hirschman Index

According to U.S. Department of Justice & FTC, [Merger Guidelines 2.1](#) (2023), markets with an HHI below 1000 are competitive markets, those with an HHI between 1000 to 1800 are moderately concentrated markets, and those with a HHI in excess of 1800 are highly concentrated markets.

Table 2 HHI and market concentration

Year	London-Auckland	London-Wellington	London-Christchurch	Manchester-Auckland	Frankfurt-Auckland	Paris-Auckland	Amsterdam-Auckland
2014	1,347	1,763	2,519	3,899	1,430	1,441	1,438
2015	1,316	1,697	2,472	3,151	1,392	1,396	1,361
2016	1,221	1,723	2,192	3,282	1,382	1,468	1,547
2017	1,102	1,550	1,741	3,042	1,094	1,402	1,522
2018	1,161	1,623	1,788	2,879	1,249	1,331	1,503
2019	1,200	1,712	1,880	2,490	1,236	1,177	1,433

ANNEX 1 HERFINDAHL-HIRSCHMAN INDEX (HHI) CALCULATIONS

Year	London-Auckland	London-Wellington	London-Christchurch	Manchester-Auckland	Frankfurt-Auckland	Paris-Auckland	Amsterdam-Auckland
2020	1,156	1,802	2,005	2,610	1,367	1,640	1,403
2021	3,963	4,906	5,540	5,166	3,189	4,414	3,687
2022	1,825	2,263	4,072	3,307	1,686	1,973	2,063
2023	1,365	1,698	2,954	2,763	1,338	1,602	1,583
2024	1,359	1,715	3,080	3,209	1,537	1,439	1,428

This table is for both arrivals and departures between New Zealand and the primary markets.

Key	Market concentration
	Highly concentrated (over 1800)
	Moderately concentrated (1000 to 1800)

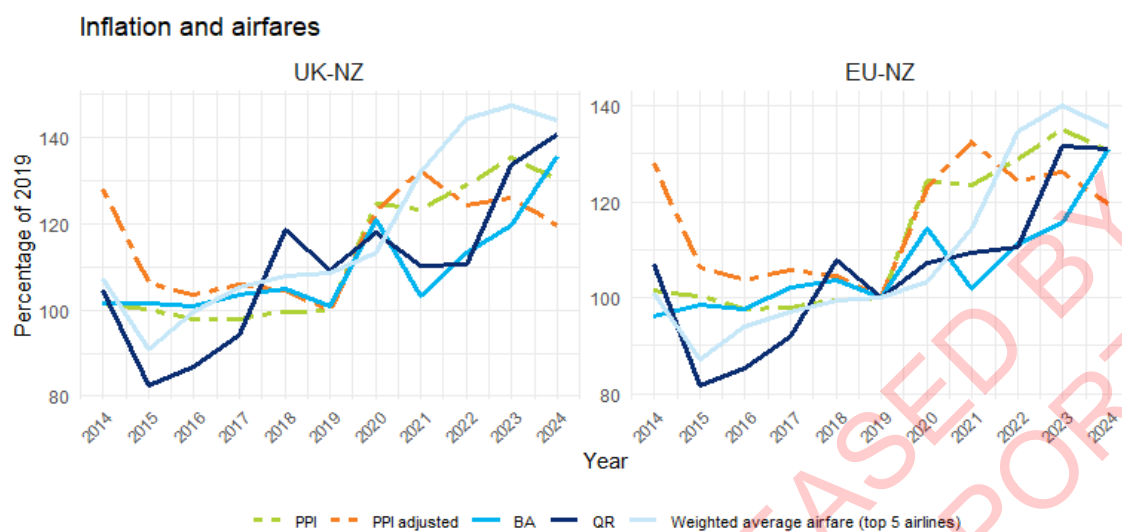
Table 3 Number of operating airlines with ≥ 1 percent market share

Year	London-Auckland	London-Wellington	London-Christchurch	Manchester-Auckland	Frankfurt-Auckland	Paris-Auckland	Amsterdam-Auckland
2014	11	10	9	9	12	12	10
2015	11	9	9	8	12	13	10
2016	11	10	8	10	14	14	13
2017	13	9	8	9	16	17	10
2018	14	9	8	6	15	16	11
2019	14	10	9	7	15	16	11
2020	15	10	9	9	13	14	11
2021	5	6	5	3	6	4	5
2022	10	9	9	9	9	10	10
2023	15	9	9	9	11	14	13
2024	13	9	9	7	10	16	12

Annex 2 List of operating airlines

Operating airline code	Operating airline name
BA	British Airways
QR	Qatar Airways
SQ	Singapore Airlines
NZ	Air New Zealand
EK	Emirates
QF	Qantas
CX	Cathay Pacific
LH	Lufthansa
TG	Thai Airways
MU	China Eastern Airlines
CZ	China Southern Airlines

Annex 3 Inflation and airfares



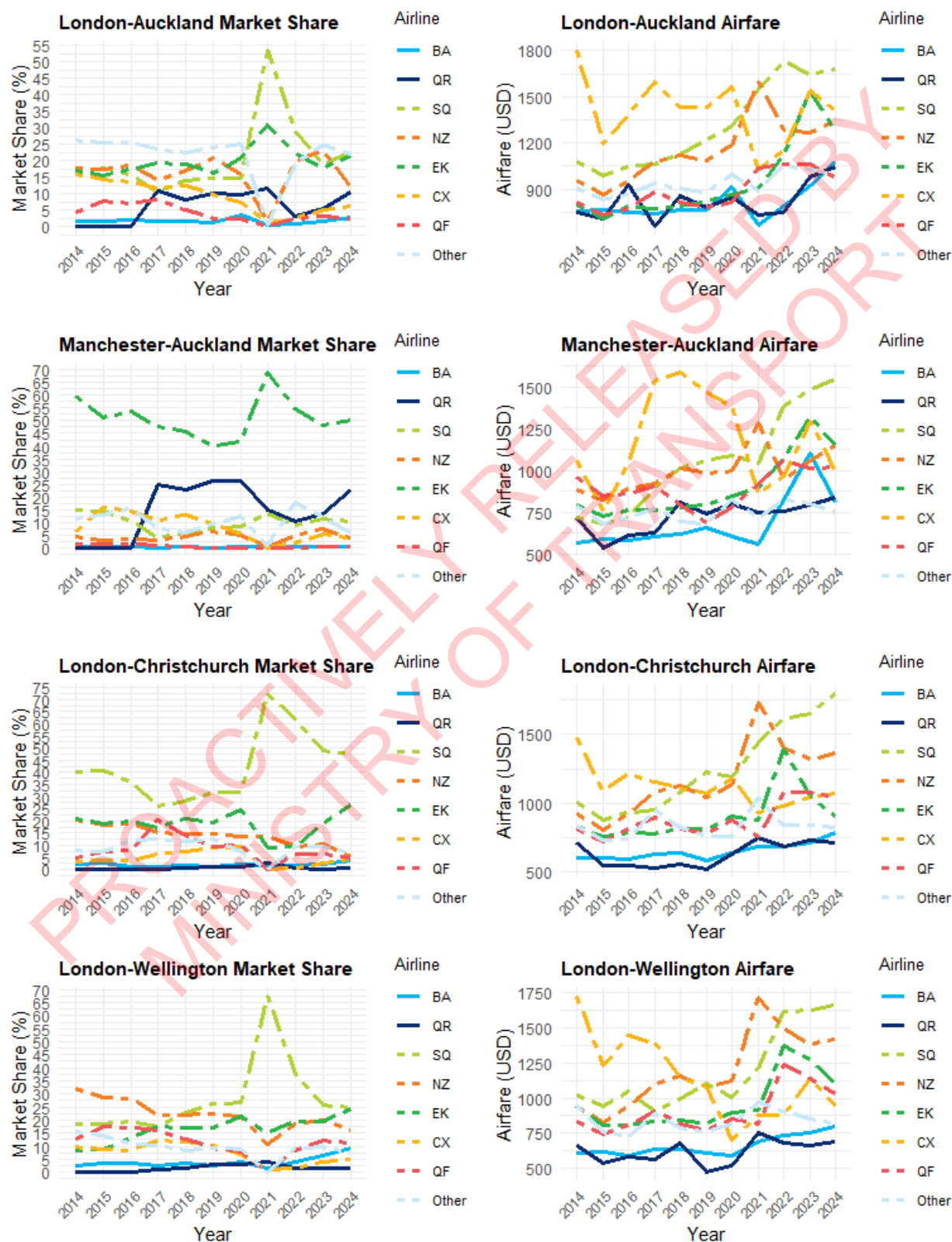
Note:

For comparison purpose, data for airfares and Producer Price Index (PPI outputs) has been indexed to 100 with 2019 as the base year.

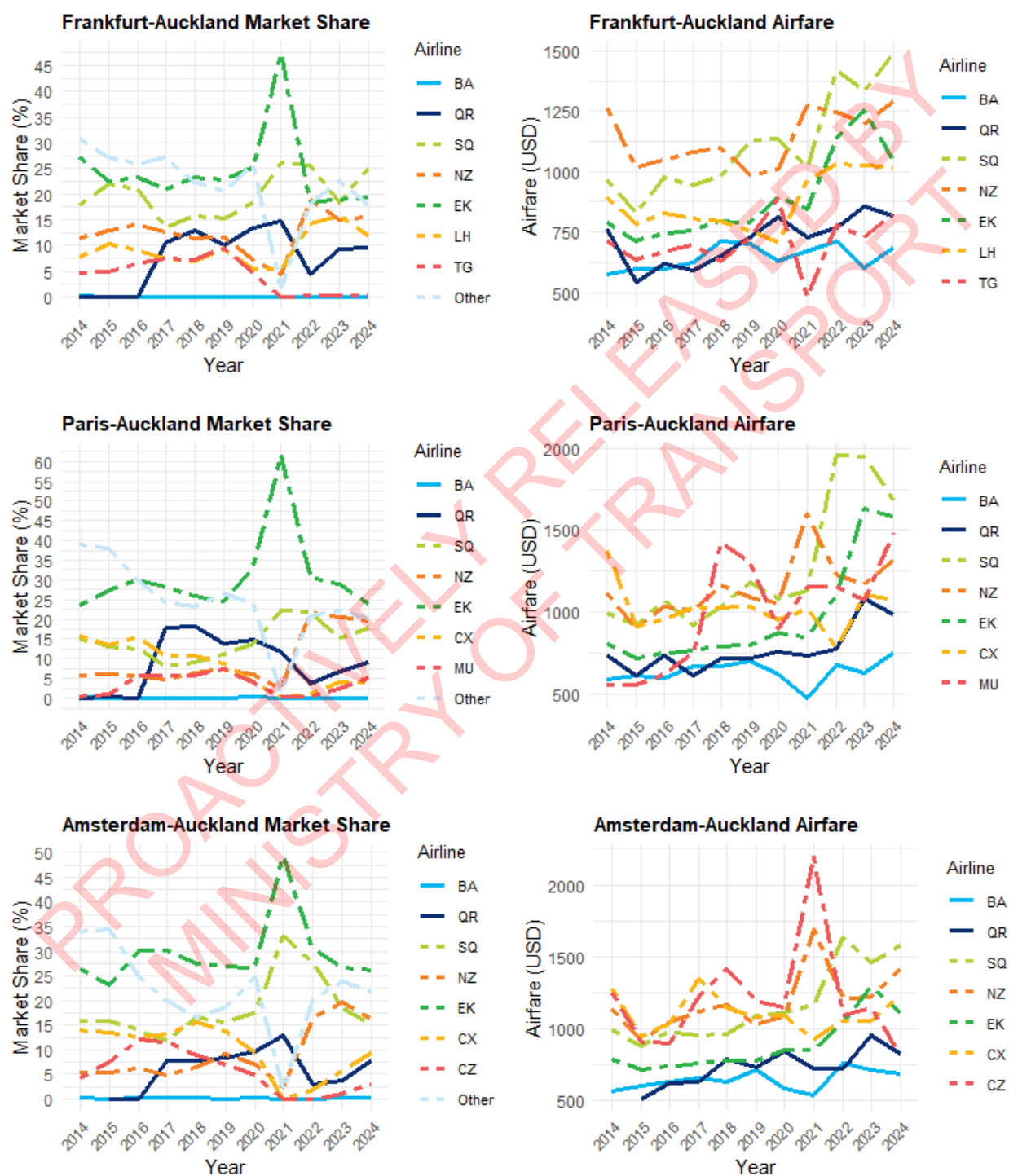
The PPI has been adjusted for the NZD/USD exchange rate as airfares are expressed in USD.

ANNEX 4 MARKET SHARES AND AVERAGE AIRFARES FOR SELECT UNITED KINGDOM-NEW ZEALAND ROUTES

Annex 4 Market shares and average airfares for select United Kingdom-New Zealand routes



Annex 5 Market shares and average airfares for select Western Europe-New Zealand routes



Annex 6 Cirium Data

The analysis uses data from Cirium, following the Ministry's decision to switch from Sabre to Cirium in late 2024.

We have extracted annual data from January 2014 to 2024. However, as data for December 2024 was not available at the time of this analysis, data for 2024 only covers 11 months (January to November 2024).

The analysis focused on the dominant operating airline (the airline that carried the passenger), not the dominant marketing airline (the airline that sold the ticket).

Origin and destination were selected at the city level for the 7 routes or, at the region level for the two overarching markets (UK and Europe to New Zealand). The analysis focused on the routes travelled by the applicants and the top 5 airlines that have different connecting points. Therefore, the scope of this analysis is all flights between the origin and destination for each route, which may include routes flown by more than one airline through code sharing and interline arrangements.

Bi-directional total option was used for all three of metrics. This option adds the arrival and departure passenger data.

Airfares extracted from Cirium are one-way, displayed in nominal USD and have not been adjusted for inflation.

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