

Air Alliance Authorisation Team
Ministry of Transport

Via email alliances@transport.govt.nz

22 August 2025

**SUBMISSION ON APPLICATION FOR AUTHORISATION OF PARTNERSHIP BETWEEN
AIR NEW ZEALAND AND AIR CHINA**

Overview

1. Christchurch International Airport Limited (*CIAL*) welcomes the opportunity to submit to the Ministry of Transport (Ministry) on the application by Air New Zealand Limited (*Air NZ*) and Air China (*CA*) (together, the *Airlines*) of their proposed arrangement.
2. CIAL supports the Ministry's work to apply greater rigour to Alliance authorisations than has been allowed in the past. This application is a first opportunity for the Ministry to put that into action. The opportunity is to establish a rigorous methodology (including comprehensive information requirements) that accords with the guidelines and establish a precedent for future assessments.
3. CIAL recognises that from time to time there will be market conditions that necessitate the authorisation by the Minister of Transport of coordination between airlines. CIAL adopts a principled position that where the appropriate conditions exist it is broadly supportive of coordination which, following a rigorous evaluation by the Ministry and key industry stakeholders, can demonstrate the public benefits outweigh any public detriment. Of particular interest to CIAL will always be the potential for real capacity, and consequent market, growth demonstrated by the alliance and its regional distribution within New Zealand.
4. Of specific interest to CIAL is the Ministry's objective of improving transparency of alliance applications and their assessment. While we are confident the Ministry will improve the transparency of its assessment, the applications themselves continue to lack visibility of the proposed conduct. They remain difficult for airports to assess. There is an opportunity for the Ministry to consider how much information needs to be redacted from applications and visibility of the proposed conduct.
5. The Ministry should require the applicants to meet the standard of proof outlined in the Ministry's guidelines. The airlines' statement that the alliance creates no commercial detriment, and therefore the tests are not required, is incorrect. The level of integration proposed in this alliance requires greater detail than has been submitted. **The application should be put to the proof.**
6. CIAL submits that the NZ/CA alliance is a defensive alliance. It is designed to make it more difficult for competitor airlines to enter the alliance catchment and to improve

yields on the alliance routes. The alliance has not led to investment for capacity growth from PVG or PEK by the alliance partners. Other carriers outside of the alliance have recovered traffic faster since COVID than the alliance has. The alliance also restricts the ability of other airlines, including Air NZ's other alliance partners, to invest for growth.

7. The core of the assessment of an alliance application continues to be the correct construction of a counter-factual. With a correctly constructed counter-factual accurate assessment of the net benefits is possible. Airlines should be held to a high standard in providing information for the counter-factual.
8. The counter-factual in this case should consider that if Air NZ did not operate AKL – PVG without the alliance that aircraft time would be redeployed to its highest use on a route servicing New Zealand. If CA did not operate PEK – AKL other airlines would compete for that traffic, perhaps more vigorously. 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.
9. A correctly constructed counter-factual is likely to be at least as positive for New Zealand as the factual promoted by the alliance.
10. The Ministry should consider the overall effect of alliances that have been authorised. Following the recent approval of the alliance between Air NZ and Virgin Australia, Air NZ has arrangements in place with airlines in two of the three global alliance groups, all major Australian airlines and with every current airline that has shown a historic willingness to enter the New Zealand domestic aviation market. It has a perpetual arrangement with United Airlines and a code-share with Qantas that has not undergone regulatory approval. Air NZ has joint venture arrangements with three airlines (Singapore Airlines (SQ), CA, Cathay Pacific (CX)) with direct or one-stop services to China. By way of illustration, Air NZ has code-share arrangements with eight airlines on the SYD-CHC service alone.
11. The Civil Aviation Act does not reference the term 'reauthorisation'. Each application should be assessed on its own basis and at the time of the application, considering the future competition effects and net benefits proposed by the alliance. This includes construction of the counterfactual.
12. The airlines have emphasised the effect of COVID-19 during the most recent period of the alliance. The focus of the Ministry's assessment should be forward-looking. The main objective is to assess the future benefits of the alliance. The benefits that may have occurred in the past should not simply be assumed to continue. Indeed, the probability that an alliance will displace other potential entrants increases as a market grows and matures (i.e. net benefits will decline over time). Ultimately the application should be measured against the proposed future conduct and the counter-factual.

Submission

13. Air NZ and CA do not fly long-haul wide body services from Christchurch. Attracting and growing long haul services to Christchurch is important for bringing visitors directly

to the South Island and providing freight access for South Island exporters, especially of high value perishable goods.

14. CA and CZ fly direct between Christchurch and Hong Kong (HKG) / Guangzhou (CAN) respectively. CX fly CHC-HKG as part of their authorised alliance with Air NZ.

15. [REDACTED]

Traffic is growing or recovering faster outside the alliance than inside it

16. The Ministry should assess the rate of capacity growth inside the alliance compared to capacity growth from non-alliance carriers on Chinese markets in the same period. By using the alliance defensively, the airlines do not need to invest as heavily to stimulate traffic as they otherwise would. This is a benefit to the airlines but not to travellers.

17. [REDACTED]

18. Another way to consider this is recovery since 2022. [REDACTED]

19. The alliance has now been in place for ten years, with the partners seeking a further five years. There is now a real likelihood of the alliance becoming a structural feature of the market. Features of the alliance, such as improved slot access for Air NZ at PVG, are unlikely to further improve. The Ministry should consider if there is a pathway to airline competition on the alliance routes or if the true nature of the alliance is defensive. We submit that, based on the public version, the benefits of the alliance are diminishing over time.

This application is an opportunity to apply the Assessment Framework

20. Christchurch Airport supports the Ministry's work to develop an Assessment Framework for Airline Cooperation Agreements. We encourage the Ministry to apply it to this application and set the standard of proof required to establish an alliance will create net benefits. It is important the Ministry sets the standard here that is appropriate for future applications and the updated Civil Aviation Act.

21. We continue to encourage the Ministry to improve transparency of the process, as it has committed to do. This relates mainly to the visibility of submissions and the allowable amount of redacted content. The Ministry can set a standard for visibility, with reference to the disclosure expectations of other regulators such as the Commerce Commission. In our view this application is heavily redacted. No commitments to future traffic growth or investment are visible in the public version of this application. Much of the proposed conduct is withheld and a wide range of performance and market information is redacted.

22. The alliance is in the nature of direct coordination and revenue sharing. Under the Ministry's Framework this requires evidence of the full range of competitive detriments and public benefits. At 8.35 in the application, Air NZ states that the economic tools and methodologies set out in the framework have not been adopted for this application because there is no competitive overlap between the alliance partners. The Ministry should reject this proposition and put the application to the proof.

23. We submit that on the basis of the information that is made publicly available in this application, it does not meet the necessary threshold to allow the Ministry to assess the effect on competition or provide an evidence-based assessment that the cooperation would lead to net benefits for New Zealand.

The counter-factual proposed by the airlines is incorrect

24. Establishing the counter-factual remains the most important element in assessing a co-operation application. The counter-factual is the basis on which net-benefits can be assessed. The Ministry should require detailed evidence from airlines to help it establish the counter-factual.
25. The Ministry should not accept that the alliance causes no competitive detriment. The defensive purpose of the alliance is to geographically segment China between Air NZ and CA (and separately, CX) so that there is no need for the carriers to compete for fares to New Zealand. We submit that the alliance also creates the conditions where the airlines do not need to invest as heavily to promote traffic growth as other carriers are motivated to.
26. The Ministry's construction of the counter-factual for this application should consider that much of the alliance traffic would continue to exist in the counter-factual. In our submission, the counter-factual to the alliance is that Air NZ would either continue to fly AKL- PVG or would redeploy that aircraft time to a higher value use, servicing New Zealand. There would either be no change or the change in overall traffic would be positive for New Zealand.
27. In the event that Air China withdrew from PEK – AKL other carriers (often supported by government and airport investment) would have incentives to compete for traffic and invest in sales and marketing effort, with the effect of stimulating the market. Both MU and CZ show that the routes can be served sustainably, and grown faster, outside of an alliance.
28. The counterfactual to the alliance isn't just the actions that the alliance partners would take. It should also consider the dynamic responses from other participants or potential participants, including those that might compete to take China – New Zealand traffic over other hubs.
29. A likely counter-factual scenario is that total traffic between China and New Zealand would increase, through greater competition by other airlines even if the counter-factual assumes the absence of the alliance partners.

The application must be forward looking

30. The Civil Aviation Act does not provide for reauthorisation of cooperation agreements. Applications must be authorised on their own merits. Applications should be assessed on a forward-looking basis based on the capacity and investment commitments made by the applicants and based on a new counter-factual created for the basis of assessing this application.
31. The Ministry might consider applying a discount rate to future benefits included in the application. This is because indicative benefits are less likely to occur the further away

in time they are. They can be interrupted by events either external to (shocks, competition) or internal to (capacity changes, performance) the alliance.

32. When this alliance began in 2015 Air NZ no longer flew AKL- PEK and CA did not operate PVG-AKL. The application uses this historical fact to assert that the alliance creates no competitive detriment because the carriers were no in direct competition at the time that the alliance was originally approved.
33. The focus of the Ministry's assessment should be forward-looking. The main objective is to assess the future benefits of the alliance. Benefits that occurred during prior periods are difficult to weigh. The Ministry should challenge assumptions that all alliance traffic and services occurred as a result of the alliance and that nothing else would have happened in the absence of the alliance. The benefits that may have occurred in the past should not simply be assumed to continue. Indeed, the probability that an alliance will displace other potential entrants increases as a market grows and matures (i.e. net benefits will decline over time).

The counter-factual scenario has potential for greater benefits for the South Island

34. Hong Kong, the Chinese Mainland and behind markets are important for the South Island. [REDACTED] These services are also reliable freight links to key markets during summer for South Island exporters. [REDACTED]
35. Chinese visitors were worth an estimated \$670 million a year to the South Island pre-Covid, according to the NZ International Visitor Survey. Visitors that enter the country via Christchurch tend to spend more time in the South Island. On average, Chinese visitors who arrived directly at Christchurch spend 79% of their time in the South Island, while those arriving into Auckland only spend 21% of their time in the South Island. If spending is proportional to the time spent, the visitor who arrives directly into Christchurch spends \$2,600 more in the South Island. Direct services to the South Island amplify the distribution of the benefits from visitation.
36. In Christchurch Airport's view the CX and CZ services to Christchurch are well-established, perform well and will continue to grow. Christchurch Airport has invested heavily in the reestablishment of the services. [REDACTED] The CA- Air NZ alliance hinders our ability to grow traffic on existing or new services into the South Island for the benefit of our communities.

The Ministry should consider the alliances picture in the round

37. Christchurch Airport has previously noted the extent of alliance arrangements held by Air NZ. These reach across markets, global alliance groups and all potential entrants into the New Zealand domestic aviation market. The cumulative effect of these is to suppress the potential for competition that would benefit consumers.
38. Specifically, the Ministry should require consistency of alliance logic. In the application for the CX-Air NZ North Asia Alliance, the airlines stated "*the Alliance continues to be primary way for Air New Zealand to access the Greater Bay Area (GBA) in the south of the Chinese Mainland.*" That alliance has since been approved. The current application has the practical effect of limiting the reach of that alliance into the Chinese mainland despite that being a factor in the approval of the previous alliance.

If there are any questions about this submission, please contact [REDACTED]

Yours sincerely

[REDACTED]