

Tourism New Zealand comments re: Application for North Asia Alliance Agreement for Air New Zealand/Cathay Pacific

Date: 12 July 2012

Key implications of the Application

- Rationale for the agreement is largely a response to increased competition in the region from China Southern (Guangzhou is 170km away), and the reduction in capacity share that Air NZ and CX have experienced following the start of China Southern flights from Guangzhou.
- Code sharing would increase the flight options able to be booked through the two airlines.
 - o Air NZ bookable flights would increase from 7, to 14-21 options per week.
 - o Cathay would increase from 7-14 to 14 to 21 bookable flight options per week.

Note: Cathay currently adds additional services during peak periods (Nov-Feb).
- This increase in flights would be advantageous to both airlines primarily due to:
 - o Increasing flexibility for arrival and departure times.
 - o Increases flexibility to connect with outward flights from Hong Kong.
 - Air NZ passengers gain additional 11 connections to UK/EU
 - Cathay passengers gain 19 additional connections in Asia
- The application proposes that the agreement will offer specific advantages for Tourism that will encourage an increase in tourists travelling to NZ, including:
 - o Respective sales forces will be able to offer improved flight options to customers.
 - o Profile of Cathay in HK will raise profile of NZ in the HK market (given the current direct service, not sure how real this is?)
 - o Improved access to frequent flyer programmes from improved flight and connectivity options and customer lounges offers incentives to visitors
 - o On the return journey, Cathay customers will be able to avail themselves of a range of connections to points in Asia.
- The agreement also covers sharing of customer lounges and earning frequent flier points on code share flights

Tourism New Zealand comment:

1. Improving the number of connections to ongoing services from Hong Kong through the proposed agreement is likely to improve overall access to New Zealand from European and Asian markets, thereby improving the sustainability of the route in light of increased competition from China Southern and providing a benefit to the New Zealand tourism sector and New Zealand economy.

2. Code sharing may result in a reduction in direct competition between the airlines in the agreement on the route HK/AKL route. While the applicants note that other entrants could enter the route, this is not currently the case.

It may be useful to request the applicants clarify the short term impact of the proposed agreement on price competition for the route.

3. The application is not clear on whether any immediate or short term changes to the number of flights or seat capacity on the HK/AKL are being considered as part of the proposed agreement.

Tourism New Zealand would like to see this clarified and invites the Ministry of Transport to request that the applicants clarify whether if there is a commitment to at least maintaining the existing capacity on the route.

4. Tourism New Zealand's primary concern is that seat capacity and multiple carriers maintain operating on the route. If the approval of the agreement will help to ensure this, then Tourism New Zealand would have no objection to the application.

Thank you for the opportunity to provide feedback. If you have any queries regarding the above, please contact:

Graeme Howard – Business Planning & Evaluation Manager
Tourism New Zealand
Graeme.howard@tnz.govt.nz