



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

**Submission to the Ministry of Transport
on the re-authorisation of the
Air New Zealand and Virgin Australia Alliance**

3 May 2013



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EXECUTIVE SUMMARY

1. The Tourism Industry Association New Zealand (TIA) supports the re-authorisation of the Air New Zealand and Virgin Australian Group Australasian Alliance on the basis that:
 - it delivers consumer benefits for travellers flying between New Zealand and Australia and onwards to third countries.
 - minimum capacity conditions are maintained
 - it encourages the introduction of new city pair routes and the expansion of existing ones.
2. In supporting the re-authorisation of the Air New Zealand and Virgin Australia Alliance, TIA believes the Ministry of Transport (MOT) should be mindful of the risk of a potential duopoly on the trans-Tasman with Qantas and Emirates.
3. The Alliance recognises the investment made by both airlines, but especially Air New Zealand, into the offshore marketing of New Zealand as a visitor destination. .

RECOMMENDATIONS

4. TIA recommends the Ministry of Transport (MOT) re-authorise the Air New Zealand and Virgin Australian Group Australasian Alliance.

COMMENT

5. The re-authorised Alliance between Air New Zealand and Virgin Australia will deliver consumer benefits to the travelling public but only if the two airlines deliver on the commitments outlined in the application. These benefits include, but are not limited to:
 - A better schedule spread
 - Extra frequencies on existing services and encouragement of new city pair routes
 - The ability to use frequent flyer points across the entire Air New Zealand and Virgin Australia network
 - Lower combined average fares for trans-Tasman travel
 - Stimulation of tourism through improved products and joint marketing and promotion
6. TIA's support for the re-authorisation of the Alliance is made on the basis that minimum capacity conditions should remain across the total trans-Tasman network. While Air New Zealand and Virgin Australia have flagged extra services, if both the Ministry for Business, Innovation and Employment's (MBIE) 2018 forecasts <http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/forecasts> and Auckland Airport's Ambition 2020 forecasts <http://www.ambition2020.co.nz> are to be met, then capacity may need to be increased above what is currently planned by both airlines.
7. A further point to note is the possible creation of a duopoly on the trans-Tasman route with the Air New Zealand and Virgin Australia and Qantas and Emirates Alliances commanding more than 95% of Tasman services. Such a duopoly has the risk of creating market dominance for the two Alliances that could result in a detrimental impact on consumer pricing and possible fare increases.
8. Lastly, it should be noted that both Air New Zealand and Virgin Australia have provided significant benefits and made large investments in marketing the country offshore. Air New Zealand's interests and those of the New Zealand economy are served by the success of a country as a visitor destination. The networks Air New Zealand shares with its Star Alliance partners, like Virgin Australia, are also extremely valuable for the success of New Zealand as a popular visitor destination.

BACKGROUND

About TIA

9. The Tourism Industry Association (TIA) is the lead association that represents the interests of about 1,500 tourism businesses in New Zealand. The Association was first established in 1955 and the businesses TIA represent cover a range of tourism-related activities - hospitality, transport, accommodation, adventure and activities, attractions and retail as well as related tourism services.
10. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events and membership and business services. The TIA team is based in Wellington and led by chief executive Martin Snedden.
11. An enquiries, regarding this submission from TIA, should in the first instance be made to Simon Wallace, TIA Policy and Research Manager, on 04 494 1842 or 0272 489 375, or by e-mail to simon.wallace@tiansz.org.nz

A bed-rock of New Zealand's economy

12. Tourism for New Zealand is big business as the country's second largest export sector. It is a major contributor to the New Zealand economy that will always be here – and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean, green, pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
13. The tourism industry delivers the following value to New Zealand's economy:
 - Tourism in New Zealand is a \$64 million per day and \$23.4 billion a year industry.
 - The tourism industry directly and indirectly supports more than 185,000 full-time jobs, or about one in ten people in the workforce.
 - Domestic tourism contributes \$37 million in economic activity every day or \$13 billion per annum.
 - International tourism contributes \$27 million in economic activity every day or \$10 billion per annum.
 - International tourism represents 8.6% of GDP as New Zealand's second largest export industry.

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