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Ministry of Transport  
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**SUBMISSION ON APPLICATION FOR AUTHORISATION OF THE NAAA BETWEEN AIR  
NEW ZEALAND AND CATHAY PACIFIC**

- 1 Christchurch International Airport Limited (*CIAL*) welcomes the opportunity to submit to the Ministry of Transport (*MOT*) on the application by Air New Zealand Limited (*Air NZ*) and Cathay Pacific Airways Limited (*Cathay Pacific*) (together, the *Airlines*) for authorisation under section 88 of the Civil Aviation Act 1990 (*CAA*) of their North Asia Alliance Agreement (*NAAA*) and related agreements, including a Code Share Agreement (together, the *Alliance*), for a further five-year term.
- 2 *CIAL*'s submission is based on our view of the principles we believe all alliance applications should meet and our analysis of the effects of the Alliance to date, and our review of the Airline's redacted application for authorisation to the *MOT*. A number of key aspects of that application remain confidential, including data (and sections of the *BSL Report*) in support of the Airlines' claimed public benefits. Our submission should be read in that context.
- 3 *CIAL* recognises from time to time there will be market conditions in existence that necessitate the authorisation by the Minister of Transport (*Minister*) of airline alliances. *CIAL* has consistently adopted a principled position that where such conditions exist it is broadly supportive of alliances which, following a rigorous evaluation by *MoT* and key industry stakeholders, can demonstrate that the real and measurable public benefits outweigh any risk of public detriment. In that regard, we remind the *MoT* the "lack of any detrimental impact on competition" is not of itself the statutory test to be applied when

considering whether to grant an authorisation under the CAA. Of particular interest to CIAL will always be the potential for real capacity growth demonstrated by the alliance and its regional distribution within New Zealand.

- 4 Before the MoT determines the Alliance to be in the public interest it should be able to demonstrate to interested persons it has satisfied itself the provisions of the CAA have been met, including consideration of:
  - (a) whether conditions need to be imposed by the Minister, or assumed voluntarily by the Airlines, to ensure the public benefits claimed are delivered throughout the term of the Alliance, to all of the travelling public and interested social and economic stakeholders across all of New Zealand. In particular, in regard to continued growth in capacity and frequency of services between Hong Kong and New Zealand, specifically on the Hong Kong – Christchurch service which is creating a disproportional economic impact across the regions of the South Island compared to Hong Kong services originating or terminating at Auckland;
  - (b) which of the claimed public benefits claimed by the Airlines accrue directly to passengers and members of the public and, are and will be delivered as a direct consequence of the Alliance;
  - (c) any public benefits claimed in the Alliance application are not outweighed by the public detriment which results from the cumulative impacts of existing alliances the Airlines are a party to and which have been previously authorised by the Minister;
  - (d) the impact of the announcement by Hong Kong Airlines on 14 February 2019 of the withdrawal of its service between Hong Kong – Auckland service;
  - (e) whether the current market dynamics are sufficiently similar to those in existence previously when determining the same counterfactual remains likely. In doing so the MoT will need to have regard to all counterfactuals that presently are a “real chance” of occurring;
  - (f) whether the authorisation of the Alliance for a total term of twelve years without review periods or oversight by any regulatory body, when taken together with previous authorisations, is necessary to deliver the public benefits in an environment acknowledged as becoming increasingly open to competition, dynamic and changeable;
  - (g) whether an authorisation of the term sought is appropriate given the review of the CAA authorisation framework currently being undertaken.