

**Application to the Minister of Transport pursuant to Part 6 of
the Civil Aviation Act 2023 for re-authorisation of the Air
New Zealand and Air China Strategic Alliance**

1. EXECUTIVE SUMMARY

- 1.1 Air New Zealand and Air China seek authorisation from the Minister to continue to implement the Strategic Alliance Agreement dated 23 March 2015 (the “**SAA**”), the Code Share Agreement and a number of “**Implementing Agreements**” (together, the “**Alliance**”).
- 1.2 The purpose and rationale of the Alliance has not changed since it was first authorised nearly a decade ago.¹ And it remains the case that the parties have never operated on the same route at the same time. That is, there is no competitive detriment associated with the Alliance.
- 1.3 As is widely known, the Covid-19 pandemic particularly impacted the aviation and tourism sectors. Naturally, the resulting long-running government-imposed travel restrictions (which were not officially lifted until January 2023) have significantly impacted the parties’ ability to deliver the benefits previously recognised by the Ministry (due to the macro environment rather than the Alliance itself). While the aviation industry and the Alliance have navigated the most severe impacts of the pandemic, the broader operating environment remains challenging. The number of Chinese visitors to New Zealand are still only at 52% of 2019 levels.² The return of Chinese visitors is expected to continue to be gradual.
- 1.4 Despite the adverse market conditions, the Applicants submit that the Alliance has delivered, and will continue to deliver, the following benefits:
- (a) **Recovery of total capacity travelling on Alliance Sectors post-Covid:** With the introduction of the Beijing route, the overall capacity of the Alliance services has increased by [REDACTED]% since the commencement of the Alliance, [REDACTED]. While the parties have trimmed capacity on Alliance services in NS25 due to [REDACTED], and weak demand post Covid-19, the Applicants continue to assess and pursue opportunities to sustainably add or maintain capacity where supported by underlying demand and commercial viability.
 - (b) **Decreasing average fares:** The Ministry has recognised that prior to the Covid-19 pandemic, there had been some “reduction in the average airfares (for all travel classes) offered by the Applicants on both routes since the beginning of the Alliance period”³. Despite severe market disruptions caused by Covid-19:
 - (i) Shanghai Alliance fares: have shown a steady reduction since the global pandemic, trending back down towards pre-Alliance levels (and which will be even lower in real terms).
 - (ii) Beijing Alliance fares: have decreased since the commencement of the route in December 2015. [REDACTED].⁴
 - (iii) Beyond fares: [REDACTED]⁵ [REDACTED]
 - (c) **Increased connectivity onto beyond networks:** The Alliance has resulted in better connectivity and access to the parties’ beyond markets. The Alliance’s effect on connectivity can be seen through cross-metal sales onto each party’s domestic routes. Air China’s calendar 2024 cross-metal sales on New Zealand domestic routes [REDACTED] pre-Covid levels,⁶ reflecting the continued positive effect the parties’ joint marketing and sales efforts have had.
 - (d) **Stimulation of tourism to New Zealand:** The Alliance has helped stimulate tourism in New Zealand by contributing to the growth of visitors travelling from the Yangtze River

¹ See paragraphs 3.20 to 3.25 for an overview of the commercial rationale for the Alliance.

² Source: 2024 versus 2019 Stats NZ data.

³ Ministry of Transport “*Air New Zealand / Air China Strategic Alliance Reauthorisation*” February 2021, para. 38 (available [here](#)). Also see Ministry of Transport “*Air New Zealand / Air China Alliance Reauthorisation: Detailed Analysis*” March 2021, at para. 137 (available [here](#)).

⁴ The first 12 months that Air China operated the route is December 2015 to November 2016. The last 12 months for which data is available is June 2024 to May 2025.

⁵ [REDACTED]

⁶ Calendar Year 2019.

Delta (including Shanghai) and the Beijing-Tianjin-Hebei Region (including Beijing) catchment areas. The parties have coordinated on several marketing campaigns in China over the course of the Alliance, several of which have targeted Air China's passenger base through Air China's official website and social media accounts, as well as other channels. In the parties' submission, the successful launch and development of the Beijing route has been a key contributor to the increase in visitor numbers from China.⁷ Over 172,019 of tourists travelled to New Zealand from Beijing since the route was first launched in December 2015, 30,260 of which were in 2024.

The importance of connectivity between New Zealand and China has recently been renewed with the announcement of the tripartite Memorandum of Understanding ("**MOU**") between the parties and Tourism New Zealand aimed at strengthening travel from China to New Zealand.⁸ As described in further detail in this Application, this MOU – announced during Prime Minister Luxon's visit to China – will see nearly half a million New Zealand dollars put towards stimulating inbound tourism from China (in addition to Air New Zealand and Tourism New Zealand's existing investments in this regard).

It is clear that the Alliance remains critical in supporting the restoration of connectivity, capacity, passenger volumes and tourism between New Zealand and China.⁹

- (e) **Enhanced loyalty and FFP benefits:** Overall, Air New Zealand Airpoints members are earning [REDACTED]% more Airpoints Dollars on services to and from China than they were immediately prior to the Alliance.
- (f) **Continued competition in the freight market:** As the Ministry is aware, the Alliance does not provide for the Applicants to coordinate sales in the airfreight market, with cargo revenue being excluded from the definition of Alliance revenues. The Ministry has previously recognised that ongoing competition between the Applicants in the freight market could be seen as a key benefit as exporters would be able to choose between several providers of airfreight services. That remains the case.
- (g) **Schedule optimisation:** As explained in the previous applications, the Applicants have optimised the schedule of the Beijing service to provide their customers with a better choice of flight times to other parts of New Zealand and China respectively. With the support of Air China, Air New Zealand was also able to secure more consistent first bank departure times from Shanghai on all days of the week (resulting in greater convenience for passengers and delivering some operational efficiencies through a modest reduction in Shanghai ground times).

1.5 More generally, the Alliance results in these benefits to New Zealand without any competitive detriment.

- (a) **No direct overlap:** The parties do not operate direct flights on the same routes. [REDACTED] [REDACTED] absent the Alliance.¹⁰
- (b) **Competition remains strong following Covid-19**
 - (i) Air New Zealand continues to face significant constraint from direct and indirect carriers operating between New Zealand and Shanghai:

⁷ The parties note the previous support of agencies such as Tourism New Zealand and the Tourism Industry Association of New Zealand which recognised the potential for the Alliance to generate tourists from Beijing and the surrounding North China area.

⁸ Air New Zealand "Air New Zealand, Air China, and Tourism New Zealand announce strategic investment to boost Chinese travel demand to Aotearoa." accessed on 25 June 2025 via <https://www.airnewzealandnewsroom.com/press-release-2025-air-new-zealand-air-china-and-tourism-new-zealand-announce-strategic-investment-to-boost-chinese-travel-demand-to-aotearoa>.

⁹ The Ministry has previously recognised the importance of the Alliance in the restoration of tourism to New Zealand post-pandemic. In its 2021 assessment, the Ministry stated that "*the Alliance delivers benefits to New Zealand that outweigh the potential detriments. In particular, the Alliance will be important as the New Zealand tourism industry seeks to recover from the impact of COVID-19.*"

¹⁰ Any indirect overlap between the parties by virtue of Air China's indirect service to Shanghai via Beijing is negligible. [REDACTED]

- (A) China Eastern continues to be an aggressive competitor, with passenger numbers on its direct Auckland-Shanghai service at [REDACTED].¹¹ [REDACTED]

[REDACTED] [REDACTED]

- (B) Various one-stop carriers, including China Southern, continue to compete strongly. China Southern has re-commenced daily indirect services from Auckland to Shanghai via Guangzhou, increasing to twice-daily from mid-December through late-February (depending on Chinese New Year dates). Sichuan Airlines also re-entered the New Zealand market with a weekly service between Auckland and Chengdu in April 2024, although it has very recently suspended this service.¹² Other indirect carriers on the route include Hainan Airlines, Qantas (by way of codeshare with China Eastern) and Malaysian Airlines.

- (ii) While Air China offers the only direct service between Auckland and Beijing, it faces competition from a number of one-stop carriers including Hainan Airlines, China Eastern, Korean Air and China Southern (to PKX). [REDACTED]

- 1.6 Finally, the parties consider that the Alliance has contributed to, and will continue to contribute to, the main purpose and each of the additional purposes of the CAA 2023.
- 1.7 Accordingly, as the Alliance will continue to deliver a range of clear and tangible benefits without any competitive detriment, the Applicants consider that the Alliance meets the test for authorisation. The Applicants consider that the Alliance should be authorised for a further five-year term.

¹¹ Air New Zealand internal data.

¹² Aeroroutes "Sichuan Airlines suspends Auckland service in NS25" accessed on 19 June 2025 via <https://www.aeroroutes.com/eng/250311-3uns25akl>.

2. THE APPLICANTS

2.1 This application (the “**Application**”) is made by Air New Zealand and Air China.

- (a) Air New Zealand: Air New Zealand is New Zealand’s national flag carrier. The Air New Zealand group operates a global network that provides air passenger services and cargo transport services to, from, and within New Zealand. Air New Zealand flies more than 16 million passengers on its network every year, with more than 400 flights a day to 49 domestic and international destinations.¹³ As at 30 April 2025, Air New Zealand operated 113 aircraft.

The New Zealand government owns approximately 51% of Air New Zealand, with the remainder owned by private investors.¹⁴ Air New Zealand is listed on the New Zealand and Australian stock exchanges.

- (b) Air China: Air China is the national flag carrier of China. Air China’s headquarters are in Beijing (Beijing Capital International Airport), but it has flight operations and a significant distribution network across the whole of China (and beyond). It is one of China’s largest airlines.

Air China’s main shareholders are the China National Aviation Holding Company and China National Aviation Corporation (Group) Limited which are both state-owned enterprises. Together, they own approximately 53.71%¹⁵ of the shares in Air China. The airline is listed on the Hong Kong, London and Shanghai Stock Exchanges. For completeness, and as the Ministry is aware, Air China also holds shareholdings in certain other carriers, including a minority stake in Cathay Pacific. Cathay Pacific also holds a minority shareholding in Air China.

As of March 2025, Air China has a diverse fleet of 507 aircraft, with 458 passenger routes.

2.2 Both Air New Zealand and Air China are members of the Star Alliance network.¹⁶

¹³ Air New Zealand “*Company Profile*” accessed on 24 April 2025 via <https://www.airnewzealand.co.nz/corporate-profile>.

¹⁴ Air New Zealand “*Frequently asked questions about Investing in Air New Zealand*” accessed on 2 May 2025 via <https://www.airnewzealand.co.nz/investor-centre-frequently-asked-questions>.

¹⁵ Air China Limited Annual Report 2024 via <https://webresource.airchina.com.cn/airchinacms/3/upload/resources/file/10112.pdf>.

¹⁶ Star Alliance is the leading global airline network. It was established in 1997, and currently has 25 members. Star Alliance provides customers of its member airlines with access to a worldwide route network, and allows frequent flyers of any member airline to earn and use frequent flyer points and access benefits across the range of Star Alliance partners. Star Alliance “*About Star Alliance*” accessed on 24 April 2025 via <https://www.staralliance.com/en/about>.

3. THE ALLIANCE

Alliance Agreements and Scope

- 3.1 In 2015 the Minister of Transport granted Air New Zealand and Air China authorisation pursuant to section 88 of the Civil Aviation Act 1990 (the “**CAA 1990**”) to make and give effect to the Alliance.¹⁷ The Alliance was last reauthorised in March 2021.
- 3.2 The SAA provides for varying levels of coordination between the parties in relation to:
- (a) The “**Alliance Sectors**”, being sectors operated by either airline directly between New Zealand and China (i.e., Auckland-Shanghai (AKL-PVG) and Auckland-Beijing (AKL-PEK)); and
 - (b) The “**Feeder Routes**”, which comprise domestic services within New Zealand and China which include an Alliance Sector,
- (together, the “**Alliance Routes**”).
- 3.3 While the parties do not revenue share on Feeder Routes, the SAA provides for coordination in relation to joint pricing and revenue management, joint sales and marketing, optimising connection requirements for domestic sectors (to the extent practical) and aligning frequent-flyer programme (“**FFP**”) customer handling for these routes. In relation to the Alliance Sectors, the SAA provides for all of the coordination outlined above as well as revenue sharing, network planning (including capacity), coordinating operational requirements, aligning airport operations and where possible harmonising customer experience.
- 3.4 The Alliance is further supported by several “Implementing Agreements”. These include:
- (a) a Codeshare Agreement which includes both Alliance Sectors and Feeder Routes, with the number of Feeder Routes increasing over the course of the Alliance;
 - (b) an enhanced “Special Prorate Agreement” (“**SPA**”) which provides favourable rates and access to each party’s network;¹⁸
 - (c) an “FFP Agreement” which aligns the parties’ FFP programs; and
 - (d) a “Revenue Sharing Agreement” which sets out the terms on which the parties will allocate revenue generated on the Alliance Sectors.
- 3.5 During the second period of authorisation, [REDACTED]
- 3.6 For the avoidance of doubt, the Alliance does not provide for coordination in the cargo market.

Application of sections 195 and 199 of the Civil Aviation Act

- 3.7 The legislative framework that enables the Minister to authorise an Alliance is provided for in Part 6 of the Civil Aviation Act 2023 (the “**CAA 2023**”).
- 3.8 The parties accept that, depending on what conclusions could be drawn from the underlying market characteristics [REDACTED], the Alliance might otherwise contravene section 27 of the Commerce Act, in which case, the Applicants consider that they are eligible to apply for reauthorisation pursuant to section 195 of the CAA 2023.
- 3.9 Section 199 provides that the Minister has discretion to authorise provisions within an arrangement that relate to the “specified activities” listed in subsection 4. The parties consider

¹⁷ As above, the Alliance includes the SAA, the Code Share Agreement and a number of Implementing Agreements.

¹⁸ [REDACTED]

that the levels of coordination explained above at paragraphs 3.2 to 3.5 clearly fall within the ambit of section 199.

Authorisation history

- 3.10 The Alliance was first authorised by the Ministry in September 2015 and reauthorised in February 2021, with effect from March 2021.
- 3.11 Prior to the Alliance the parties did not operate on overlapping routes:
- (a) Air New Zealand operated Auckland – Shanghai, but Air China (whose hub is in Beijing) did not, [REDACTED]
 - (b) Air New Zealand operated an Auckland – Beijing service in advance of the Beijing Summer Olympics, which was discontinued more than three years before the commencement of the Alliance, in June 2012, due to [REDACTED]. It was only after the Alliance took effect that Air China operated Auckland – Beijing.
- 3.12 Indeed, in its 2021 analysis, the Ministry again recognised the Alliance resulted in the introduction of a new direct service rather than the elimination of any overlapping services. At the time of the 2015 authorisation, the then Minister of Transport acknowledged that “[i]n addition to expanding services, the alliance will mean Air China will actively market New Zealand as a visitor destination.”
- 3.13 In its 2021 analysis, the Ministry noted that the risks arising from an alliance that eliminate competition (e.g., lower capacities and/or higher airfares on a route) could not apply where, pre-alliance, neither airline is able to generate enough feeder traffic on its own network to operate viably on that route (i.e., there is no competition to be eliminated). [REDACTED]

Alliance Schedule

- 3.14 The current Alliance Schedule (as at the date of this Application) is set out in **Table 1** below.

Table 1: Alliance flight Schedule from Northern Summer 2025

Northern Summer Schedule (April - October)						
Flight Number	From	To	Departure Time	Arrival Time		Days of Week
NZ 288	PVG	AKL	14:15	05:40	+1	5 days (excluding Tuesday and Thursday)
NZ 289	AKL	PVG	22:45	06:55	+1	5 days (excluding Monday and Wednesday)
CA 783	PEK	AKL	01:00	18:30/17:30		3 days (Thursday, Saturday, Sunday)
CA 784	AKL	PEK	20:30/19:30	05:30/05:25	+1	3 days (Thursday, Saturday, Sunday)
Northern Winter Schedule (November - March)						
Flight Number	From	To	Departure Time	Arrival Time		Days of Week
NZ 288	PVG	AKL	14:15	05:40	+1	7 days ¹⁹

¹⁹ Daily service (7pw) will operate from mid-December through to the end of February. Capacity will be slightly reduced (6pw) in November and March due to scheduled maintenance requirements.

NZ 289	AKL	PVG	23:55	07:15	+1	7 days ²⁰
CA 783	PEK	AKL	01:15	18:35		7 days
CA 784	AKL	PEK	20:30	05:00	+1	7 days

3.15 Air China supported Air New Zealand with securing aligned departure times for its Shanghai to Auckland service from Northern Summer 2020. Air New Zealand was able to align departure times for all of its daily NZ 286 flights (now NZ 288) from Shanghai to Auckland (from 14:15pm). This aligned schedule provides passengers travelling from Shanghai better convenience and consistency, and strengthens Air New Zealand's offering compared to competing airlines.
[REDACTED]

3.16 [REDACTED]

Operational changes

3.17 As explained in further detail in Section 5, the Covid-19 travel restrictions have had a significant and long-running effect on Alliance services. Notwithstanding the very attractive fares on offer, the Applicants continue to assess and pursue opportunities to sustainably add or maintain capacity where supported by underlying demand and commercial viability.

3.18 For the Northern Summer 2025 period, and reflecting the challenges associated with the routes, Air New Zealand has reduced Auckland – Shanghai services to 5-6 per week (and 4-5 per week for the shoulder period) and Air China has reduced Beijing – Auckland services to 3-4 per week. However, Air New Zealand intends to resume daily services for the peak Northern Winter 2025 season (and 6 services per week for the shoulder season).

3.19 The reduction in services over the Northern Summer 2025 period is due to a combination of factors including:

- (a) Air New Zealand's reduction in widebody aircraft availability: [REDACTED]²¹ [REDACTED];
- (b) aircraft configuration changes as part of [REDACTED]²² [REDACTED]²³; and
- (c) inbound traffic from China recovering much more slowly than previously anticipated, with visitors to New Zealand from China in CY2024 down approximately 40% compared to CY2019.²⁴ Significant increases in visa costs have contributed to this slow recovery and impacted New Zealand's competitiveness as a destination. With effect from 1 October 2024, the Government increased visitor visa fees to NZ\$341 (an increase of 62%) and the International Visitor Levy increased from NZ\$35 to \$100 per person.²⁵ [REDACTED] The New Zealand Government has however, just announced that all Chinese passengers coming into New Zealand will have the ability to use the New Zealand Electronic Travel Authority (NZeTA) instead of the Transit Visa from November 2025.²⁶ The fee for an NZeTA is between NZ\$17-\$23 and NZeTA's are typically processed within 72 hours

²⁰ Daily service (7pw) will operate from mid-December through to the end of February. Capacity will be slightly reduced (6pw) in November and March due to scheduled maintenance requirements.

²¹ [REDACTED]

²² [REDACTED]

²³ [REDACTED]

²⁴ Stats NZ "Visitor arrivals up in 2024" accessed on 2 May 2025 via <https://www.stats.govt.nz/news/visitor-arrivals-up-in-2024/>.

²⁵ A recent New Zealand Business Roundtable China survey of the visitor visa policies of Australia, Canada, the UK, the US and New Zealand found that New Zealand's current visitor visa settings, particularly as they relate to Chinese business visitors, were the "least competitive of the countries surveyed" Newsroom article from Jan 2025: <https://newsroom.co.nz/2025/01/30/nzs-china-visa-policy-the-worlds-least-competitive-business-roundtable/> with reference to this <https://www.nzbric.com/>.

²⁶ New Zealand Immigration "Changes to make it easier for Chinese nationals to transit through New Zealand" 18 June 2025, via <https://www.immigration.govt.nz/about-us/news-centre/changes-to-make-it-easier-for-chinese-nationals-to-transit-through-new-zealand/>.

(compared to one week for a Transit Visa). These changes would speed up the transit process, and [REDACTED].

Commercial Rationale

- 3.20 The commercial rationale for the Alliance has not materially changed since the parties' 2015 and 2020 applications (the "**2015 Application**" and the "**2020 Application**" respectively). The Alliance has continued to deliver benefits over the second period of the authorisation that would not otherwise be available.
- 3.21 The Alliance continues to provide Air New Zealand with greater security over its Shanghai service through the support of a strong Chinese carrier. The Alliance ensures Air New Zealand passengers can connect into a wider range of destinations and at more competitive fares than would be available without the Alliance. The Auckland – Shanghai route has always been [REDACTED]
- (a) [REDACTED]²⁷ [REDACTED]²⁸ [REDACTED]
 - (b) [REDACTED]
 - (c) [REDACTED]
 - (d) [REDACTED]²⁹ [REDACTED].
- 3.22 The Alliance has helped Air New Zealand compete more effectively on the Auckland – Shanghai route in light of these challenges. Air China has continued to provide support to Air New Zealand through its sales and distribution network and its strong stakeholder relationships in China. As detailed below in section 5, over the course of the Alliance, the parties have implemented several strategic initiatives to support Air New Zealand's Shanghai service.
- 3.23 Through these initiatives, Air New Zealand continues to focus on increasing passenger numbers on its Shanghai service despite aggressive competition from Chinese carriers. For example:³⁰
- (a) China Eastern continues to directly compete on the Auckland – Shanghai route, operating year-round daily direct services between Auckland and Shanghai and direct and indirect services between Hangzhou and Auckland (two per week, for each direct and indirect);
 - (b) China Southern operates daily indirect services from Auckland to Shanghai via Guangzhou, increasing to twice-daily from mid-December through late-February (depending on Chinese New Year dates);
 - (c) China Southern also re-commenced seasonal direct flights between Christchurch and Guangzhou in November 2023, following a pause amid the Covid-19 pandemic; and
 - (d) Hainan Airlines operates a year-round direct service from Shenzhen to Auckland (currently three services per week), which it commenced in 2017.³¹
- 3.24 For Air China, the Alliance [REDACTED]
- (a) [REDACTED]

²⁷ [REDACTED]

²⁸ [REDACTED]

²⁹ [REDACTED]

³⁰ Other examples include:

- (a) Sichuan Airlines, which operated a weekly service from Chengdu to Auckland (which it launched during the first period of authorisation). This was brought to halt during Covid, but it recommenced the service in 2024, before suspending it again in May for the Northern Summer 2025 period; and
- (b) Tianjin Airlines, which launched services from Tianjin in the first term of the authorisation, although these were discontinued in March 2019.

³¹ Hainan Airlines introduced another service from Haikou to Auckland in December 2023 (flying three times per week).

(b) [REDACTED]

(c) [REDACTED]³²; and

(d) [REDACTED].

3.25 The direct Beijing service continues to provide the New Zealand public with more choice and availability of services to China, as well as enabling a greater distribution of Chinese tourism spend across New Zealand.

³² [REDACTED]

4. STRATEGIC ALIGNMENT WITH THE CIVIL AVIATION ACT

4.1 Section 199(2) of the CAA 2023 sets out the two-pronged statutory test upon which the Minister must be satisfied before granting an authorisation. More specifically, the Minister may grant an authorisation if he is satisfied that:

- (a) granting the authorisation will contribute to the main purpose or any of the additional purposes of the CAA 2023; and
- (b) giving effect to the provisions of the contract, arrangement, or understanding to which the application relates will in all the circumstances result, or be likely to result, in a benefit to the public that would outweigh any lessening in competition that would result, or would be likely to result, from those provisions.

4.2 The Minister can be satisfied that reauthorising the Alliance will contribute to the main and additional purposes in sections 3 and 4 of the CAA 2023. The Alliance will:

- (a) **advance a safe and secure civil aviation system:** Part of the rationale for the Alliance is that the parties are able to leverage each other's operational and management know-how in order to share best practices, which will assist with safer travel.³³
- (b) **contribute to environmental sustainability, economic prosperity, inclusive access, healthy and safe people, and resilience and security:** As the Ministry has previously recognised, the Alliance enables the Applicants to work together with New Zealand and Chinese tourism agencies to aid in the recovery of Chinese tourism to New Zealand and re-establish New Zealand's international connectivity to China. There are several examples of this in recent years, underpinning the importance of connectivity between New Zealand and China. For example:
 - (i) In April 2025, the Government announced it was injecting NZD \$13.5 million into Tourism New Zealand to encourage more international visitors, with a particular focus on China (along with Australia and the US).³⁴
 - (ii) In June 2025, a tripartite MOU was announced between the parties and Tourism New Zealand via which [REDACTED] will be invested towards stimulating inbound tourism from China.³⁵ This new funding will be used to support a marketing campaign to drive greater awareness of New Zealand as a preferred destination for Chinese travellers. The initiative reaffirms the strong commitment from both parties and New Zealand's tourism sector to support economic recovery.
 - (iii) The Alliance's joint marketing and sales activities in China assists with the Government's focus on "international marketing" for New Zealand as a tourism destination.

The Alliance allows the parties to offer a broader range of transport options than were available pre-Alliance, and allows these options to prevail during times of economic downturn, or recovery following global events.

The Alliance also encourages inclusive access through the SPA arrangement, such that passengers can connect into a wider range of destinations and at more competitive fares than would be available without the Alliance. Further, both Air New Zealand and Air China have strong commitments to environmental sustainability. Air New Zealand has committed

³³ A specific example includes communications between the parties regarding border updates and staffing requirements during Covid-19. See page 2 of September 2021 Alliance board meeting notes "1. Internal Briefing Notes, CANZ AB 02Sep2021".

³⁴ The New Zealand Herald "Tourism NZ gets \$13.5m to attract more visitors – China, Australia, US key targets" accessed 26 May 2025 via <https://www.nzherald.co.nz/nz/politics/christopher-luxon-faces-media-amid-questions-over-winston-peters-trade-comments/V2U52SDIBVFPRDHTZUEVO6LHTI/>.

³⁵ Air New Zealand "Air New Zealand, Air China, and Tourism New Zealand announce strategic investment to boost Chinese travel demand to Aotearoa." accessed 15 June 2025 via <https://www.airnewzealandnewsroom.com/press-release-2025-air-new-zealand-air-china-and-tourism-new-zealand-announce-strategic-investment-to-boost-chinese-travel-demand-to-aotearoa>.

to a target of net zero carbon emissions by 2050.³⁶ Air China is actively implementing a cohesive green development action plan to reduce carbon emissions in line with China's carbon neutrality goals.³⁷

- (c) **promote innovation, effectiveness, and efficiency in civil aviation:** One of key rationales behind the Alliance is [REDACTED]. As noted above, Air China supported Air New Zealand with slot re-timings in Shanghai in the Northern Summer 2020 season which improved passenger convenience.
- (d) **ensure that New Zealand's obligations under international civil aviation conventions, agreements, and understandings are implemented:** The Alliance abides by all civil aviation conventions, agreements and understandings and enhances international comity between New Zealand and China.
- (e) **preserve New Zealand's national security and national interests:** China is New Zealand's largest trading partner.³⁸ China is also one of New Zealand's most important tourism markets and was the second largest international visitor market pre-pandemic.³⁹ The Alliance therefore aligns with New Zealand's national interests in that it assists with strengthening New Zealand's economic ties and bilateral trade and tourism relationship with China.⁴⁰ Furthermore, The Alliance benefits New Zealand's international relations, enabling Air New Zealand to develop a better relationship with the Civil Aviation Regulator in China (the Civil Aviation Administration of China) and assisting with maintaining ties with the Chinese Government.⁴¹
- (f) **take into account the adverse effects of civil aviation on the interests of people, property, and the environment:** The Alliance improves each party's connectivity with the other's network, resulting in better economies of traffic density and aircraft utilisation.

4.3 Section 7 of this application explains how the net public benefit test outlined in 4.1(b) above is satisfied.

³⁶ The steps Air New Zealand are taking towards this target include utilising alternative jet fuel, next generation aircraft technology, continued fleet renewal and carbon removal solutions. For further information see Air New Zealand "Sustainability" via <https://www.airnewzealand.co.nz/sustainability>.

³⁷ For example, Air China is focused on energy conservation and waste reduction and has launched initiatives to reduce plastic usage and minimise waste, adopting a low carbon and eco-friendly resource management strategy. For further information see Air China "2024 Sustainability & ESG Report", available here: <https://webresource.airchina.com.cn/airchinacms/3/upload/resources/file/10079.pdf>

³⁸ MFAT "New Zealand – China Free Trade Agreement Overview" accessed 26 May 2025 at <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-china-free-trade-agreement/overview#:~:text=China%20is%20now%20New%20Zealand%27s,and%2C%20a%20major%20tourism%20market.>

³⁹ New Zealand Government "Strengthening our tourism ties with China" accessed on 1 May 2024 via <https://www.beehive.govt.nz/release/strengthening-our-tourism-ties-china>.

⁴⁰ MFAT "New Zealand – China Free Trade Agreement Overview" accessed 26 May 2025 at <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-china-free-trade-agreement/overview#:~:text=China%20is%20now%20New%20Zealand%27s,and%2C%20a%20major%20tourism%20market.>

⁴¹ In the China Briefing Delegation Paper, the parties recognise that the Alliance holds long-term strategic value and "sustains government and industry links". See page 5 "20250610 China Delegation Briefing Paper vSend".

5. MARKET AND STRATEGIC DEVELOPMENTS SINCE LAST AUTHORISATION

- 5.1 By way of context to this Application, set out below is an overview of the relevant market developments since the Alliance was last reauthorised.

Covid-19 pandemic

- 5.2 As noted, Covid-19 impacted the aviation and tourism sectors especially hard. The Alliance was impacted from as early as January 2020. In response to the outbreak and the measures taken by each of the Chinese and New Zealand Governments, the parties were forced to suspend Alliance services.
- (a) On 2 February 2020, the New Zealand government first placed restrictions on entry into New Zealand for travellers arriving from or through mainland China.⁴² The border was closed to all non-citizen or permanent residents from any country on 20 March. The New Zealand border did not fully reopen until 1 August 2022.
- (b) The Chinese government first imposed travel restrictions on 28 March 2020.⁴³ These measures restricted the entry into China of all foreign travellers with a few, very limited, exceptions. Covid-related travel restrictions remained in place until January 2023.
- 5.3 These long-running restrictions have had a significant impact on Alliance services.
- 5.4 The Auckland – Shanghai route was among the first to be impacted by the travel restrictions. Pre-pandemic, Air New Zealand operated seven services per week on this route. From June 2020, Air New Zealand re-introduced a weekly service, ramping back up to daily services three years later on 3 May 2023.⁴⁴ Services on the Beijing – Auckland route resumed on 2 May 2023, with Air China offering four flights per week.⁴⁵
- 5.5 While both Air New Zealand and Air China have necessarily trimmed capacity relative to the pre-Covid position, the Applicants are confident that the Alliance will continue to deliver benefits that would not be possible without the Alliance.

Post-Covid competitive landscape

- 5.6 At the time of the 2020 Application there was considerable uncertainty regarding the competitive landscape for passenger air services between New Zealand and China. Pre-Covid, a number of carriers offered services on various direct and indirect routes including China Eastern, China Southern, Qantas, Sichuan Airlines, Hainan Airlines and Tianjin Airlines.
- 5.7 While the services of these competing carriers were also affected by the pandemic, with the restrictions now lifted and demand beginning to improve, the competitive landscape is becoming more reflective of pre-pandemic levels. Each of these airlines (with the exception of Tianjin Airlines) resumed services in some capacity to New Zealand post-Covid with a willingness to compete hard. As an example, Hainan Airlines adopted a fairly aggressive pricing strategy on re-entry, with round-trip flights to Beijing advertised between NZ\$400-\$800 in July 2024.⁴⁶
- 5.8 In addition to facing strong competition on price, the parties face competitors significantly increasing their capacity between China and New Zealand post-Covid. For example, in addition to its direct Hangzhou – Auckland service, China Eastern introduced a new twice-weekly triangular service in November 2023, which operates Hangzhou – Sydney – Auckland – Hangzhou. This service has restored China Eastern's New Zealand capacity to pre-Covid levels (with available seat kilometres (“ASK”s) in 2024 having increased by 20% compared to 2019),⁴⁷

⁴² New Zealand Government “New Zealand to restrict travel from China to protect against coronavirus”, accessed on 29 April 2025 via [New Zealand to restrict travel from China to protect against coronavirus | Beehive.govt.nz](https://www.beehive.govt.nz/news/new-zealand-to-restrict-travel-from-china-to-protect-against-coronavirus).

⁴³ <https://www.china-briefing.com/news/china-travel-restrictions-2021-2022-an-explainer-updated/>

⁴⁴ For more information see <https://www.airnewzealandnewsroom.com/press-release-2023-air-nz-china-capacity-ramping-up-as-daily-shanghai-flights-resume>.

⁴⁵ See Section 3.14 for the latest flight schedules.

⁴⁶ New Zealand Herald “Flight Check: Hainan Airlines, New Zealand to China” accessed on 3 June 2025 via <https://www.nzherald.co.nz/nz/flight-check-hainan-airlines-new-zealand-to-china/RGLFWA4BWWFBB3A3MC46YBQQFHA/>.

⁴⁷ Air New Zealand internal data.

providing enhanced connectivity between China and New Zealand. China Eastern offered competitive pricing on its new services, initially advertising the new Auckland to Hangzhou service at NZD \$583 (one-way).⁴⁸

- 5.9 However, as explained in the 2020 Application, New Zealand – China services are not typically strategically important for these carriers like they are for Air New Zealand, and hence the Alliance. For other carriers, New Zealand is generally just one route on offer in their wider network and they are not concerned with furthering New Zealand's wider interests or re-building New Zealand's tourism market per se. They are much more likely to exit services (or offer more limited services) if they see better opportunities elsewhere. To the contrary, the Alliance is focused on long term, sustainable growth which is better aligned with New Zealand's strategic objectives and the growing bilateral relationship between China and New Zealand.
- 5.10 Against this context, despite re-entering the market with a weekly service between Auckland and Chengdu in April 2024, Sichuan Airlines has recently suspended this service.⁴⁹ However, the market remains competitive despite Sichuan's exit, with Alliance services continuing to be constrained by the services offered by, for example, China Eastern, China Southern, Qantas and Hainan Airlines.
- 5.11 However, China has a growing interest in developing a "Southern Link" for cargo flows to South America, offering an alternative to traditional routes via North America or Europe. New Zealand is well-positioned geographically to facilitate this, particularly via Auckland. On 18 June 2025, China Eastern announced that from December 2025 it will connect from its hub at Shanghai Pudong Airport through Auckland Airport to Buenos Ezeiza Airport.⁵⁰ Accordingly, it is likely that services via New Zealand from China will become increasingly important for carriers on this route.

Geopolitical and economic shifts affecting air travel between New Zealand and China

- 5.12 While demand for air passenger services is improving, it is still not at pre-pandemic levels. China's outbound travel has been generally slow to gain momentum⁵¹ which is likely to have contributed to the rationalisation of capacity by some Chinese carriers. New Zealand welcomed approximately 407,000 Chinese visitors in 2019, making China the country's second-largest international visitor market after Australia.⁵² This fell to approximately 248,000 Chinese visitors in 2024, a 40% drop from 2019, representing a major loss of income for New Zealand, with Chinese tourists spending an estimated \$6,537 per trip on average.⁵³
- 5.13 As explained in the 2020 Application, in June 2019, MBIE and the Ministry of Culture and Tourism of the People's Republic of China entered into an arrangement which acknowledged the previous cooperation between the parties and committed to further areas of cooperation with the aim of strengthening economic ties through promoting two-way tourism and more regular dialogue and information exchange around tourism matters. The pandemic delayed the opportunities for cooperation.
- 5.14 However, the arrangements were reaffirmed in June 2023⁵⁴ which reinforces the unique relationship that New Zealand has with China and the importance of China to New Zealand's trade and tourism economy. As the then Tourism Minister explained:

⁴⁸ Stuff "China Eastern Airlines launches Auckland to Hangzhou, Sydney services" accessed on 16 May 2025 via <https://www.stuff.co.nz/travel/350481273/china-eastern-airlines-launches-auckland-to-hangzhou-sydney-services>.

⁴⁹ Aeroroutes "Sichuan Airlines suspends Auckland service in NS25" accessed on 9 June 2025 via <https://www.aeroroutes.com/eng/250311-3uns25akl>.

⁵⁰ Auckland Airport "China Eastern set to launch major China – South America link through AKL" accessed on 25 June 2025 via https://corporate.aucklandairport.co.nz/news/latest-media/news-articles/china-eastern-set-to-launch-major-china-south-america-link-through-akl#:~:text=Announced%20today%20at%20a%20ceremony,Ezeiza%20Airport*%20from%20December%202025.

⁵¹ RNZ "Chinese tourism fails to match pre-Covid levels despite Lunar New Year boost" accessed on 9 June 2025 via <https://www.rnz.co.nz/news/chinese/539065/chinese-tourism-fails-to-match-pre-covid-levels-despite-lunar-new-year-boost>

⁵² Stats NZ accessed on 30 April 2024 via <https://www.stats.govt.nz/news/visitor-arrivals-up-in-2024/>.

⁵³ Newsroom "NZ's China visa policy the world's least competitive – business roundtable" accessed on 9 June 2025 via <https://newsroom.co.nz/2025/01/30/nzs-china-visa-policy-the-worlds-least-competitive-business-roundtable/>. The economic contribution from Chinese travellers is significant, with Chinese visitors spending approximately \$1.4 billion in New Zealand in 2024.

⁵⁴ New Zealand Government "Strengthening our tourism ties with China" accessed on 1 May 2024 via <https://www.beehive.govt.nz/release/strengthening-our-tourism-ties-china>.

“China remains one of our most important tourism markets, and was our second largest international visitor market pre-pandemic.”

- 5.15 The return of Chinese visitors is expected to be gradual as demand for travel continues to grow. Helpfully, in terms of outbound traffic, China has a visa exemption policy for short-term visits for visitors from New Zealand, which has been extended until the end of 2025. For inbound traffic, the recent announcement by the New Zealand Government that China is a Transit Visa Waiver country will helpfully [REDACTED].

Cargo trends

- 5.16 While the Alliance does not provide for coordination in the cargo market, it supports direct links between China and New Zealand, giving shippers greater choice and flexibility.
- 5.17 As mentioned above, China has a growing interest in developing a “Southern Link” for cargo flows to South America (with China Eastern announcing in June 2025 its new air service between China and South America via Auckland Airport). New Zealand is well-positioned geographically to facilitate this and therefore, the parties expect that the China – New Zealand route will become increasingly important for carriers servicing these destinations in coming years.

Performance of the Beijing service

- 5.18 Post-pandemic, Air China resumed its Beijing service in May 2023.
- 5.19 Alliance services between Auckland and Beijing continue to show sustainable growth, especially when considered against the capacity expansion and aggressive low fare strategy employed by other Chinese carriers.
- 5.20 As shown in **Figure 1** below, in 2024 total passengers on the Beijing route [REDACTED].⁵⁵ However, [REDACTED]. In 2024, inbound passenger traffic on the Beijing route reached only [REDACTED].⁵⁶

Figure 1: Passenger traffic on Alliance Sectors since the Alliance commenced

[REDACTED]

Continued challenges for the Shanghai service

- 5.21 As explained in the 2020 Application, Shanghai has historically been a heavily weighted inbound destination.
- 5.22 The consequence of this is that China Eastern has a clear competitive advantage over Air New Zealand by virtue of its beyond network. Shanghai is China Eastern’s primary hub – with approximately [REDACTED]% of its international ASKs passing through Shanghai.⁵⁷ China Eastern can also leverage its network beyond Shanghai to drive traffic onto its Auckland services.
- 5.23 The Alliance has assisted Air New Zealand to expand indirect sales channels in China (and especially, in North China). Beijing (the hub of Air China) is the primary hub by which Northern China connects with New Zealand. Without the Alliance, it would be very difficult for Air New Zealand to expand its sales channel in this region, given it only operates to Shanghai.
- 5.24 Since the Alliance was last re-authorised, the parties have continued to work together to try and mitigate these structural disadvantages. Throughout the last period of reauthorisation, the Alliance has supported Air New Zealand to undertake several joint sales activities in China:

⁵⁵ Air New Zealand internal data.

⁵⁶ Air New Zealand Market Intelligence Dashboard (Stats NZ).

⁵⁷ [REDACTED]

- (a) Joint workshop/sales visits to the top agencies in selected first and second tier cities in North China;
 - (b) Undertaking a joint indirect sales incentive scheme in selected airports, i.e., Shenyang Taoxian International Airport, Qingdao Jiaodong International Airport, Dalian Zhoushuizi International Airport, Wuhan Tianhe International Airport and Chengdu Shuangliu International Airport;
 - (c) Joint agency sales calls;
 - (d) Joint sales campaigns with Tourism New Zealand (with full marketing and online support);
 - (e) Joint agency familiarisation trips to NZ (organised visits for travel professionals to gain first-hand experience);
 - (f) Enhancing Online and Online Travel Agencies sales, including price alignment/frontend discounts for the CA.com and CA flagship stores in Online Travel Agencies; and
 - (g) Sharing of tourism resources, including Air New Zealand sharing the New Zealand exclusive deals (local NZ activities) which applied to CA FFP members.
- 5.25 These joint sales initiatives and activities have supported Air New Zealand actively engaging with offline agencies in North and Mid-China, to expand Air New Zealand's agent network. These measures – undertaken by virtue of the Alliance – have helped Air New Zealand maintain its competitiveness with other Chinese carriers.
- 5.26 The initiatives will be further supplemented by the various joint ventures between Air New Zealand,⁵⁸ Air China and Tourism New Zealand which are all designed to rebuild demand for travel to New Zealand.

⁵⁸ For example, the recently announced tripartite MOU between the parties and Tourism New Zealand.

6. **AUTHORISATION SOUGHT**

Statutory Authority

- 6.1 The Minister's discretion to authorise the Alliance is provided for in section 199 of the CAA 2023. The parties seek authorisation under this section to make and give effect to the Alliance. Consistent with previous alliance applications, the parties do not seek authorisation from the Minister for the provisions relating to joint procurement/purchasing, referred to in clauses 3.3(o) and 4.1(a)(v) of the SAA.
- 6.2 The Applicants believe that the Alliance meets the test for authorisation and that the Minister should exercise his discretion to reauthorise the Alliance pursuant to section 199 of the Act for a further period.
- 6.3 Section 35(2) of the CAA 2023 provides that if an authorisation was granted with an expiry date, the authorisation expires on the date on which it would have expired if the CAA 2023 had not been enacted. The parties' current reauthorisation is therefore due to expire on 31 March 2026.

Duration Sought

- 6.4 The Applicants seek reauthorisation until 31 March 2031 (being a further five-year period, ending at the end of the 2030 IATA Northern Winter season).
- 6.5 This term is consistent with the period for which authorisation was initially granted in 2015 (although the first authorisation period was 5 years and 4 months) and the period for which reauthorisation was granted in 2021. It is necessary to provide the parties with sufficient certainty and confidence, particularly as the Alliance Sectors continue to recover from the Covid-19 pandemic, to further invest in the Alliance by:
- (a) enabling the parties to continue supporting each other in increasing demand for Alliance services and improving tourism confidence. The Alliance plays a key role in New Zealand's economic recovery post-Covid-19. It remains incredibly important that New Zealand continues to demonstrate its support for New Zealand's tourism industry, which heavily relies on Chinese tourists, as well as for Chinese tourism operators to work with New Zealand, from a comity perspective;
 - (b) reflecting the ongoing competitive environment faced by the Alliance and the challenges that this presents (particularly given the inbound nature of the route and the competitive advantages held by competing Chinese carriers);
 - (c) providing the parties with sufficient certainty to achieve service level improvements; assist with capacity planning and scheduling; and providing further opportunity for the parties to explore expanded connectivity; and
 - (d) enabling sustainable, long term air services to support the relationship between Air New Zealand and Air China, which reflects MBIE's commitments with the Ministry of Culture and Tourism of the People's Republic of China to strengthen economic ties and promote two-way tourism.
- 6.6 Any lesser period would not facilitate public benefits and will instead result in regulatory uncertainty and ultimately reduced choice for consumers. A five-year term recognises that these investment decisions can only be justified with a long-term view to stimulate and guide recovery and growth, particularly in the challenging post-pandemic market environment. As the Ministry recognises in its Operational Policy, the Minister generally authorised agreements for five years under the CAA 1990. It notes that this time period is commonly used by overseas authorities, and gives applicants sufficient certainty and stability while allowing the agreement to be reviewed at an appropriate interval.

7. ASSESSMENT FRAMEWORK ANALYSIS

Relevant Markets

- 7.1 The scope of the Alliance covers the provision of air passenger transport services on the Alliance Sectors and on the Feeder Routes within New Zealand and China.
- 7.2 In its 2021 Report, the Ministry defined the primary markets as being the markets mainly affected by scheduling, pricing and capacity coordination under the Alliance. More specifically, it concluded the relevant primary market is the China – New Zealand market with a specific focus on the catchment areas around the cities directing connecting to the Alliance Sectors (i.e. Auckland, Shanghai and Beijing). This approach captures the choices available to passengers within the relevant catchment areas of the airports within the scope of the Alliance (PEK, PVG and AKL) and therefore remains appropriate.
- 7.3 Accordingly, the relevant Chinese catchment areas of focus are:
- (a) The Yangtze River Delta region that comprise the city of Shanghai, and the provinces of Jiangsu, Zhejiang and Anhui.
 - (b) The Beijing-Tianjin-Hebei Region that includes the cities of Beijing and Tianjin, and the province of Hebei.
- 7.4 The relevant New Zealand catchment area is around Auckland and the market includes the domestic New Zealand Feeder Routes operated by Air New Zealand.

Counterfactual

- 7.5 Further detail on each of Air New Zealand's and Air China's counterfactuals is provided in confidential **Appendix D** to this Application. In summary, it remains the case that the parties have never operated on the same route at the same time, (i.e. they were not competitors prior to the Alliance) [REDACTED]

Competition effects: the absence of any competitive overlap

- 7.6 The Alliance has provided, and continues to provide, Air New Zealand and Air China with the ability to offer a compelling customer proposition in competition with other carriers. Importantly, there is no direct overlap of services between the parties and therefore authorising the Alliance will not result in the elimination of any direct competition between the parties. In fact, the Alliance intensified competition by facilitating an additional route as well as ensuring that Air New Zealand is a more effective competitor to China Eastern on the Shanghai service.
- 7.7 Technically, it could be argued there could be some very minor overlap as a result of Air China's ability to carry passengers to Shanghai via Beijing. In practice this constraint is likely to be small, given the direct service provided by China Eastern and also the fact that such an indirect service would require that passengers backtrack, given Beijing is to the N/NW of Shanghai. For example, in 2024, [REDACTED].⁵⁹ [REDACTED] [REDACTED].
- 7.8 In any event, the Alliance will continue to face competition and the Alliance has not prevented others from entering or expanding.

Competitors: entry and expansion between China and New Zealand

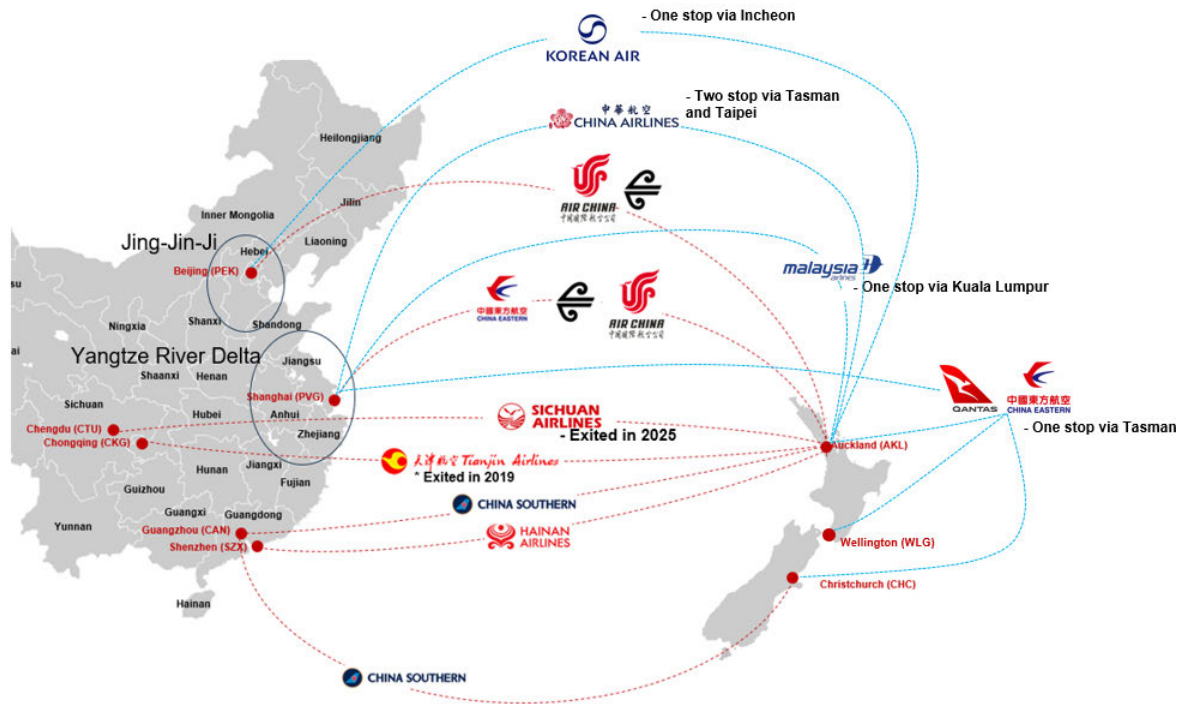
- 7.9 The Chinese aviation industry is characterised by large state-backed competitors (e.g., China Eastern and China Southern) as well as opportunistic smaller competitors. [REDACTED].
- 7.10 During the first and second periods of authorisation, competitors demonstrated a willingness to quickly enter, expand and exit services between New Zealand and China depending on market conditions (as evidenced by, for example, Tianjin Airlines and Sichuan Airlines' entries and exits

⁵⁹ [REDACTED]

over the course of the Alliance). This demonstrates the lack of structural impediments to free entry and exit, being hallmarks of a competitive market, and shows that the Alliance has not disincentivised other carriers from launching new services to New Zealand from other gateways in China (whether due to the presence of one of the parties on services to/from Beijing or Shanghai, or due to any perceived feeder issues. In relation to the latter, neither airline has committed to providing exclusive feed to the other).

- 7.11 A summary of competitors operating between China and New Zealand is illustrated in **Figure 2** below.

Figure 2: Carriers operating between China and New Zealand as at 1 June 2025

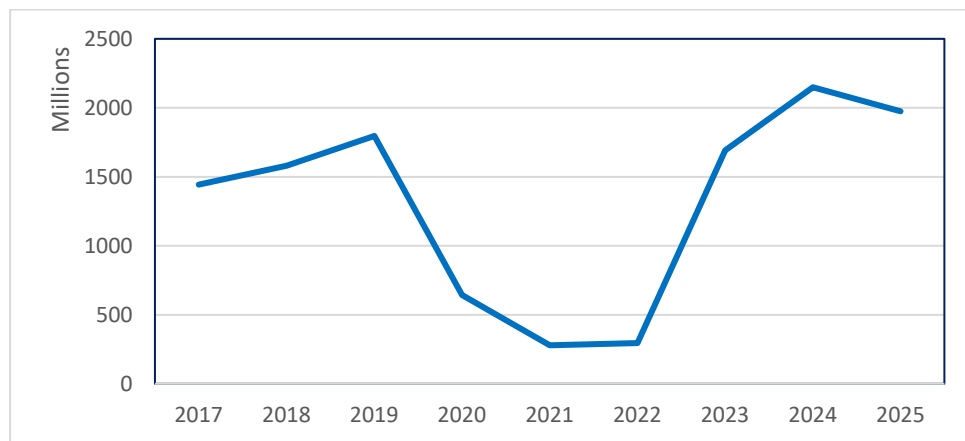


Shanghai

- 7.12 There is no competitive overlap on Shanghai, irrespective of the Alliance.
- 7.13 Air New Zealand faces significant constraint from both direct and indirect carriers operating between New Zealand and Shanghai.
- 7.14 China Eastern has continued to grow since the Covid-19 restrictions were lifted in China.
- 7.15 China Eastern leverages its beyond network to drive traffic onto its direct Shanghai service – with approximately 28% of passengers on its Auckland – Shanghai service connecting from outside Shanghai and the provinces of Jiangsu and Zhejiang, compared to approximately 8% for Air New Zealand's Alliance service. This shows that China Eastern still has a clear network advantage over Air New Zealand beyond Shanghai, despite the fact that Air New Zealand benefits from Air China's sales and distribution network.
- 7.16 As the figure below shows, its capacity on Auckland – Shanghai has increased above pre-Covid levels.⁶⁰

⁶⁰ OAG / JV Finance data.

Figure 3: China Eastern capacity on Auckland – Shanghai route (ASKs)



7.17 One stop carriers impose additional constraint:⁶¹

- (a) China Southern has continued to compete strongly following Covid-19 and re-commenced daily indirect services from Auckland to Shanghai via Guangzhou increasing to twice-daily from mid-December through late-February (depending on Chinese New Year dates).
- (b) Hainan offers services from Auckland to Shanghai via Shenzhen.
- (c) Malaysian Airlines also offers one-stop services between Auckland and Shanghai, via Kuala Lumpur.

7.18 While Qantas resumed its Sydney-Shanghai service in October 2023, this route was suspended in July 2024 due to low demand.

Beijing

7.19 There is no competitive overlap on Beijing irrespective of the Alliance.

7.20 In any event, the Alliance competes with several carriers who offer one-stop services between New Zealand and Beijing, including:

- (a) China Eastern, via Shanghai;
- (b) Hainan Airlines, via Shenzhen;
- (c) Korean Air, via Incheon; and
- (d) China Southern to Beijing Daxing International Airport, via Guangzhou.

⁶¹ Other competitors on the Auckland – Shanghai route include Cathay Pacific via Hong Kong and Singapore Airlines via Singapore. Air New Zealand does not coordinate with either Cathay Pacific or Singapore Airlines outside of the jurisdictions covered by those authorisations (i.e., it does not coordinate on services to Shanghai or Beijing).

8. Public Value Assessment

8.1 In the nearly 10 years since it was first authorised, Air New Zealand and Air China have together delivered significant benefits to New Zealand consumers as a result of the Alliance, including:

- (a) recovery of total capacity travelling on Alliance Sectors post-Covid;
- (b) decreasing average fares on both routes;
- (c) increased connectivity onto beyond networks;
- (d) stimulation of tourism to New Zealand;
- (e) premium customer handling, lounge and FFP benefits;
- (f) continued competition in the freight market; and
- (g) schedule optimisation.

8.2 The Applicants provide more detail on these benefits below.

Recovery of total capacity travelling on the Alliance Sectors post-Covid

- 8.3 The 2020 Application outlined the increased capacity on services to Beijing (including via daily seasonal frequencies) and Shanghai (through additional 3x pw seasonal frequencies during the Chinese New Year periods in Northern Winter 2017 and 2018). [REDACTED] the additional Chinese New Year services to Shanghai were discontinued in 2019.
- 8.4 Due to the [REDACTED] and weak demand post Covid-19 (inbound tourists from China in 2024 were a mere 61% of pre-Covid levels)⁶², the parties have had to make reductions in capacity, including a reduction in Alliance services to 5-6 pw for the Shanghai service in NS25 (4-5 for the shoulder period) and 3-4 per week for Beijing in NS25, although Air New Zealand intends to resume its daily services for the peak NW25 season (and 6 pw for the shoulder season).
- 8.5 In addition, as mentioned above, Air New Zealand's [REDACTED]⁶³ Traditionally, there has been a high demand for business class seats from travellers from Shanghai so these changes are aimed at improving demand for Alliance services through an enhanced onboard experience.

Figure 4: Alliance capacity on Alliance Sectors (sum of ASKs)⁶⁴

[REDACTED]

Decreasing average fares on both routes

- 8.6 In the 2020 Application, the parties explained that average fares across all cabin classes on Alliance services had decreased over the course of the Alliance, [REDACTED].
- 8.7 Notwithstanding the post-pandemic difficulties, since Covid, Shanghai Alliance fares have been steadily returning towards pre-Alliance levels (and which will be even lower in real terms). Despite ongoing post-Covid challenges, Beijing Alliance fares have steadily decreased even compared with the commencement of the route [REDACTED].⁶⁵

⁶² Stats NZ "Visitor arrivals up in 2024" accessed on 2 May 2025 via <https://www.stats.govt.nz/news/visitor-arrivals-up-in-2024/>.

⁶³ [REDACTED].

⁶⁴ Months 11/2025 and 12/2025 are projected.

⁶⁵ The first 12 months that Air China operated the route is December 2015 to November 2016. The last 12 months for which data is available is June 2024 to May 2025.

- (a) *Shanghai Alliance average fares*

Figure 5: Shanghai Alliance average fares (all cabin classes)⁶⁶

[REDACTED]

- (b) *Beijing Alliance average fares*

Figure 6: Beijing Alliance average fares in Chinese Yuan (all cabin classes)⁶⁷

[REDACTED]

- (c) *Beyond fares*

- 8.8 As set out in the 2020 Application, in 2015/16 Air New Zealand commissioned a major economic study of all its alliance activity (the “**BLS Report**”). We will not repeat our full explanation of the BLS Report in this Application, other than to reiterate its conclusion that prices for international joint venture (“**JV**”) connecting fares (excluding the Tasman) are 8.8% to 11.6% lower than traditional interline fares. The BLS Report found that the closeness of cooperation was the key to these lower fares, i.e., the ability of Air New Zealand and its partners to offer the most efficient, lowest, connecting fares would not be realised outside of a revenue sharing Alliance. This continues to be the case.
- 8.9 During the recent term of reauthorisation Air New Zealand’s beyond fares have also drastically fallen. As shown in **Figure 7** below, [REDACTED].

Figure 7: average Shanghai beyond fares (all cabin classes)

[REDACTED]

- 8.10 As explained in the 2020 Application, over the course of the Alliance the parties have revised the Codeshare and SPA resulting in expanded connectivity and reductions on average billing rates on connecting routes. Furthermore, economy billing rates under the current version of the SPA are much lower for the vast majority of routes than prior to the Alliance.

Network connectivity (NZ and Chinese domestic)

- 8.11 Relatedly, the Alliance has improved connectivity with the Applicants’ beyond markets.
- 8.12 Since authorisation in 2015, the parties have added an additional [REDACTED] to the existing Codeshare Agreement and [REDACTED] to the updated SPA [REDACTED].
- 8.13 For Air China, the Alliance provides Air China with a key gateway into domestic New Zealand. Despite Chinese inbound tourism to New Zealand still being well below pre-Covid levels, [REDACTED]⁶⁸.
- 8.14 These cross-metal sales reflect the continued positive effect that the parties’ joint marketing and sales efforts have on New Zealand, particularly targeting inbound tourism into New Zealand.

⁶⁶ [REDACTED]

⁶⁷ Air China resumed the Beijing service in December 2023. The parties note that the gap in the data between April 2020 and May 2023 is due to the fact that, post-pandemic, Air China did not resume its Beijing service until May 2023.

⁶⁸ As the Beijing route commenced in December 2015, 2015 data is a reasonable reference for pre-Alliance figures.

8.15 As shown in **Figure 8** below, the [REDACTED].

Figure 8: Cross-metal sales onto each party's domestic network⁶⁹

[REDACTED]

8.16 As discussed above, the [REDACTED].

8.17 At the time of the 2015 Application, the parties were assessing how to optimise the schedule of the Beijing service to maximise connectivity at both ends of the route. This was achieved — with both the north and southbound flights leaving late in the evening thereby allowing passengers to connect from other parts of China and New Zealand respectively.

8.18 From NS20, Air China supported Air New Zealand to secure optimal slots for its Shanghai to Auckland service, which allowed Air New Zealand to align departure times for all of its daily NZ 286 flights (now NZ 288) from Shanghai to Auckland, providing an improved schedule for passengers. [REDACTED]⁷⁰

Premium customer handling, lounge and FFP benefits

8.19 In its 2021 Report, the Ministry accepted that improved loyalty programmes and lounge access were consumer benefits from the Alliance. While the Ministry described these as “modest” benefits in relation to other alliances, it acknowledged that the Alliance “is an exception” given the size of the Chinese market.

8.20 The amount of Airpoints Dollars Airpoints members have earned on Alliance services in 2024 is more than [REDACTED] than those earned in 2015 which [REDACTED].

Stimulation of tourism to New Zealand

8.21 The Alliance has helped stimulate tourism in New Zealand by contributing to the growth of visitors travelling from the Yangtze River Delta (including Shanghai) and the Beijing-Tianjin-Hebei Region (including Beijing) catchment areas. By 2019, visitors to New Zealand on Alliance operated services had increased by [REDACTED]% compared to 2015, although these numbers are down due to subdued demand post-pandemic.

8.22 The parties have coordinated on several marketing campaigns in China over the course of the Alliance, several of which have targeted Air China's passenger base through Air China's official website and social media accounts, as well as other channels. This includes awareness promotions through the parties' respective FFP communications. The parties have also supported and funded familiarisation trips in addition to their respective monetary contributions.

8.23 On 19 May 2025, the parties entered into a Memorandum of Understanding (“**MOU**”) to formalise their financial commitments to developing and promoting the Alliance and New Zealand as a tourist destination.

8.24 More recently, on 20 June 2025 the parties entered into a tripartite MOU with Tourism New Zealand, through which each party will invest into the stated objectives of (i) increasing international visitor numbers from China to New Zealand and (ii) promoting the benefits of travelling on the Air New Zealand/Air China network.⁷¹ [REDACTED]

8.25 The parties have a number of initiatives planned for 2025 including:

⁶⁹ Cross-metal sales data does not exist for 2022 due to services on the Beijing route only resuming in May 2023 following Covid-19.

⁷⁰ However, as noted above [REDACTED] Also see Section 2 of Air New Zealand's counterfactual submission.

⁷¹ [REDACTED]

- (a) a bespoke Air China/Air New Zealand consideration campaign across digital channels, and a joint awareness campaign across Chinese media (such as Sky Kiwi, WeChat + Chinese NZ Herald);
 - (b) inclusion of owned channel resources, such as social media, to amplify awareness and impact;
 - (c) exploring the possibilities on consumer engagement activities to drive preference, alongside marketing campaigns;
 - (d) joint presence at tradeshow including China Vision 2025 held by the China Chamber of Commerce in New Zealand; and
 - (e) joint visits to key wholesale agents in China.
- 8.26 Attached as Schedule 1 are examples of joint marketing campaigns undertaken by the Alliance since 2024.
- 8.27 In the parties' submission, the successful launch and development of the Beijing route has been a key contributor to the increase in visitor numbers from China.⁷² Over 172,019 of tourists travelled to New Zealand via Beijing on Alliance services since the route was first launched, with 30,260 passengers in 2024.⁷³ According to MBIE, Chinese visitors spent \$1.1 billion in New Zealand, with nearly 80% of that spent attributable to holidaymakers.⁷⁴ The estimated average spend per tourist in New Zealand for the year ended March 2024 was \$6,729.⁷⁵ Adopting these figures suggests that passengers on the Alliance's Beijing services alone contributed an estimated \$204 million to the New Zealand economy last year.
- 8.28 Air China has also supported Air New Zealand's Shanghai – Auckland service through expanding its indirect sales channels in China (and particularly North China).
- 8.29 Furthermore, the Alliance has ensured that the benefits of this increase in tourism are distributed to different geographical regions throughout New Zealand. **Table 2** shows the significant growth in Air China passengers connecting to domestic New Zealand over the course of the Alliance.

Table 2: Air China passengers connecting onto Air New Zealand's domestic network

[REDACTED]

Continued competition in the freight market

- 8.30 China is New Zealand's largest trading partner⁷⁶, with more than NZ\$20 billion in exports for YE 2024.⁷⁷ China is an important market for New Zealand given the demand for high-value perishable cargo such as dairy products, meat products and fruit (mainly kiwifruit and apples), with NZ exporters therefore relying on providers who are able to guarantee capacity and provide the required frequency of services.
- 8.31 As the Ministry is aware, the Alliance does not provide for the Applicants to coordinate sales in the airfreight market, with cargo revenue being excluded from the definition of Alliance revenues. The Ministry has previously recognised that ongoing competition between the Applicants in the freight market could be seen as a key benefit as exporters would be able to choose between several

⁷² The parties note the previous support of agencies such as Tourism New Zealand and the Tourism Industry Association of New Zealand which recognised the potential for the Alliance to generate tourists from Beijing and the surrounding North China area.

⁷³ Source: Air New Zealand data.

⁷⁴ MBIE, International Visitor Survey. Year ending March 2024. See Tourism New Zealand "China: Visitors & Market Insights", July 2024.

⁷⁵ Tourism New Zealand "China: Visitors & Market Insights", July 2024, accessed 9 June 2025 via [TNZ-Insights-Infographic-Market-Snapshots-2024-China.pdf](https://www.tnz.co.nz/insights/infographic-market-snapshots-2024-china.pdf).

⁷⁶ MFAT "New Zealand – China Free Trade Agreement Overview" accessed 9 June 2025 via <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-china-free-trade-agreement/overview>.

⁷⁷ MFAT "Key facts on New Zealand-China trade" accessed 9 June 2025 via <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/nz-china-free-trade-agreement/key-facts-on-new-zealand-china-trade>.

providers of airfreight services. Because the Alliance supports both the Beijing and Shanghai services this benefit to kiwi exporters will continue.

Schedule optimisation

- 8.32 The Ministry has previously recognised that optimised flight schedules provide consumer benefits.
- 8.33 As explained in the previous applications, the Applicants have optimised the schedule of the Beijing service to provide their customers with a better choice of flight times to other parts of New Zealand and China respectively.
- 8.34 Furthermore, with the support of Air China, Air New Zealand secured more consistent first bank departure times from Shanghai on all days of the week (resulting in greater convenience for passengers [REDACTED], as discussed at paragraph 3.15).

Economic Efficiency Assessment

- 8.35 As set out at paragraph 80 of the Ministry's Airline Authorisation Guidelines, qualitative analysis can be used where benefits are difficult to quantify. As discussed with the Ministry, the parties consider that, given the lack of competitive overlap between the parties, this alliance is not one where such tools are required.

9. **CONCLUSION**

- 9.1 In light of the substantial benefits that will result from the Alliance, and the lack of competitive detriment, the parties consider the Alliance results in a net benefit to New Zealand.
- 9.2 Furthermore, the parties consider that the Alliance has and will continue to contribute to the main purpose or any of the additional purposes of the CAA 2023.
- 9.3 For those reasons, the parties consider that the Alliance meets the test for authorisation. The parties consider that the Alliance should be reauthorised for a period of five years.

APPENDICES

Appendix A: Copy of SAA, SPA, codeshare and implementing agreements (confidential)

Appendix B: Underlying data

Appendix C: Strategic documents

Appendix D: Counterfactual submissions

Schedule 1: Examples of joint marketing campaigns



Air New Zealand

6 March at 15:24

We've got your ticket to endless experiences with China on sale now. Explore the vibrant city lights of Shanghai or uncover the rich history of Beijing's iconic landmarks. With the Air New Zealand and Air China alliance, now is the time to book. Sale ends midnight 23 March 2025. Card payment fee, travel periods and conditions apply. Subject to partner availability

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China
on sale


STAR ALLIANCE MEMBERS



AIRNEWZEALAND.CO.NZ

Ends midnight 23 March 2025

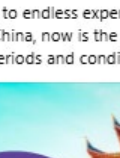
Book now



Air New Zealand

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Shanghai

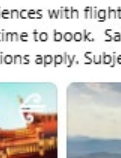
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\$528

one way

Auckland to Shanghai

Book now



Beijing



economy from


\$553


one way


Auckland to Beijing

Book now



4

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Take our quiz or book China for your chance to win.

Visit airnzagent.co.nz to enter.

Competition closes 14 April 2024.
Terms and conditions apply, visit airnzagent.co.nz.





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Together we're opening up more of Mainland China

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Fly non-stop from Auckland to Beijing or Shanghai with our alliance partnership



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per person one way from Auckland. Connections available from Air New Zealand serviced domestic airports - prices vary.

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Travel period: Economy: 16 May-14 Jun, 5 Jul-15 Sep & 16 Oct-25 Nov 2025
Premium Economy: 27 Apr-15 Sep & 20 Oct-25 Nov 2025
Business Premier: 22 May-15 Sep & 12 Oct-25 Nov 2025

Card payment fee may apply

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Beijing
per person one way from Auckland. Connections available from Air New Zealand serviced domestic airports - prices vary.

Sale ends 23 March 2025

Deal from \$553 economy	Deal from \$2,248 business/premier™
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[Book now](#)

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Business: 18 May-22 Jun 2025
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2025 Prime Minister visit to China



