



19 March 2025

OC250144

Hon James Meager  
Acting Minister of Transport

Action required by:  
Thursday, 3 April 2025

## BRITISH AIRWAYS AND QATAR AIRWAYS JOINT BUSINESS AGREEMENT REAUTHORISATION

### Purpose

This briefing together with the material in Annex 2 and the attached report, seeks your approval to reauthorise the joint business agreement between British Airways and Qatar Airways, and Iberia Airlines as an added party.

### Key points

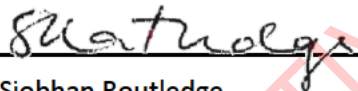
- British Airways and Qatar Airways, along with Iberia Airlines as an added party, have applied for continued authorisation of their Joint Business Agreement (JBA). The agreement was first authorised in 2020 and expires on 31 May 2025.
- Your portfolio includes responsibility for authorising cooperative airline agreements under section 88 of the Civil Aviation Act 1990. Airline cooperation agreements, such as alliances, are a common feature of international aviation. While alliances can result in benefits to consumers, they also risk resulting in a reduction in competition, which can lead to higher fares or reduced services.
- We consider there are public benefits in reauthorising the JBA, as it will continue to provide improved connectivity and capacity between New Zealand and the UK and other European destinations.
- There are multiple existing operators on the routes between New Zealand, the UK and Europe. The applicants have a low market share on these routes. Therefore, we don't consider authorising the JBA will lessen competition. The applicants have always offered lower airfares compared to the main competitors.
- There are two phases in the application – Phase 1 includes routes covered by the existing authorisation. s 9(2)(b)(ii)  
[REDACTED]  
[REDACTED]  
[REDACTED]
- We recommend that Phase 1 of the JBA is authorised for a further five years to 31 May 2030, and that the authorisation excludes all provisions relating to s 9(2)(b)(ii)

- Your decision to authorise under the 1990 Act is needed by 4 April 2025, ahead of the Civil Aviation Act 2023 coming into force. Transitional provisions under the 2023 Act state that an authorisation under the 1990 Act and in force immediately before the commencement date is treated as an authorisation given under the 2023 Act.

## Recommendations

We recommend you:

- 1 **authorise** pursuant to section 88(2) of the Civil Aviation Act 1990:
  - the provisions of the second amended Joint Business Agreement between British Airways, Qatar Airways and Iberia Airlines, dated 22 June 2023
 but exclude:
  - any provisions that relate to s 9(2)(b)(ii)
 for a period of five years to 31 May 2030. Yes / No
- 2 **agree** that we publish a copy of the report containing the Ministry's detailed analysis underpinning the decision to reauthorise the JBA on our website (with appropriate redactions in accordance with the Official Information Act 1982) Yes / No
- 3 **indicate** whether you would like us to arrange a media release regarding your decision. Yes / No

  
 Siobhan Routledge  
 Acting Deputy Chief Executive, Policy

19 / March / 2025

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 Hon James Meager  
 Acting Minister of Transport

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Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

## Comments

## Contacts

Name	Telephone	First contact
Tom Forster, Manager, Aviation	s 9(2)(a)	✓
Carolina Durrant, Principal Adviser, Aviation		
Garrick Wood, Senior Adviser, Aviation		

## BRITISH AIRWAYS AND QATAR AIRWAYS JOINT BUSINESS AGREEMENT REAUTHORISATION

**Airline alliances are a common feature of international aviation but need authorisation to manage the risk of reducing competition**

- 1 Airline alliances exist primarily to improve efficiency, expand global reach, and enhance services for travellers.
- 2 **Airline alliances can benefit airlines** - by sharing resources such as lounges, maintenance facilities, and even staff, airlines can reduce operational cost. Airline alliances help airlines strengthen their market presence and compete more effectively against other carriers.
- 3 **Airline alliances can benefit consumers** - reduced operational costs to airlines can be passed on to passengers. Passengers benefit from smoother connections, baggage handling, and check-in processes across multiple airlines within the same alliance.
- 4 **Airline alliances can benefit New Zealand** - alliances provide access to a network of destinations. This can make it easier for travelers to connect to various parts of the world with fewer layovers and better flight schedules. Enhanced connectivity can help to attract more tourists and business travelers to New Zealand, and it can facilitate trade and investment by making it easier for businesses to connect with global markets.
- 5 **Airline alliances, while beneficial in many ways, can also pose risks** - alliances can lead to reduced competition on certain routes, especially if the member airlines dominate those markets. This can result in higher fares and fewer choices for consumers. Large alliances can exert significant market power, potentially leading to monopolistic practices. This can make it difficult for smaller or new airlines to compete. There is a risk that airlines within an alliance might coordinate prices, reducing the competitive pressure to keep fares low. Alliances often control a significant number of airport slots, which can limit access for other airlines. This can prevent new entrants from establishing a presence at key airports. Further, a dominance of major alliances can create barriers to entry for new airlines.
- 6 Airline alliances often come under scrutiny from competition authorities. If an alliance is deemed to substantially reduce competition, it may face regulatory challenges or be required to make concessions, such as surrendering airport slots.
- 7 Airline alliance arrangements are subject to authorisation by competition authorities in the countries the airlines fly to.

**British Airways and Qatar Airways are seeking reauthorisation of their joint business agreement that now also includes Iberia Airlines**

- 8 British Airways and Qatar Airways, with Iberia Airlines as an added party (the Applicants), have applied for the continued authorisation of their airline alliance, under their Joint Business Agreement (the JBA). The JBA contributes to the applicants' wider international network strategy.

- 9 The JBA was first authorised by the Minister of Transport in May 2020 for a period of 5 years and is set to expire on 31 May 2025. The Applicants seek authorisation to continue to give effect to the JBA for a further term of five years, until 31 May 2030.
- 10 On 22 June 2023, the JBA was amended, and Iberia was added as a party. The amended JBA governs how the parties will cooperate on air passenger services for up to 65 countries. There is no material change to the commercial rationale for the JBA. The inclusion of Iberia Airlines enables coordination on the Doha – Madrid route and for potential future Latin American routes. The JBA does not involve cooperation on any cargo services.
- 11 Under the amended JBA, the parties have agreed to a phased approach. Phase 1 includes routes covered by the existing authorisation. s 9(2)(b)(ii)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

#### **Authorisation is sought under section 88 of the Civil Aviation Act 1990**

- 12 The Minister of Transport has responsibility for authorising or declining an application that is made under section 88(2) of 1990 Act. The effect of an authorisation is that the arrangements are exempt from provisions of the Commerce Act 1986 that prohibits arrangements that substantially lessen competition.
- 13 The Ministry provides you with advice on whether the application meets the criteria set out in the 1990 Act. We also undertake a public interest test s 9(2)(h)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- 14 Under section 88 (3), you must ensure that the granting of such an authorisation will not prejudice compliance with any relevant international convention, agreement, or arrangement to which the Government of New Zealand is a party. The JBA complies with bilateral air services agreements to which the Government of New Zealand is a party.

#### **The JBA is likely to offer a range of benefits to New Zealand**

- 15 The applicants state that passengers can expect several benefits from the JBA, including:
- 15.1 more convenient schedules
  - 15.2 better coordination of booking, check-in, and connections
  - 15.3 access to the loyalty programmes of both JBA parties
  - 15.4 the ability to combine different fare classes on multi-leg journeys.

- 16 Cooperation also allows for operational efficiencies and the elimination of double marginalisation<sup>1</sup>. Airlines are incentivised to pass efficiencies onto customers, leading to a potential reduction in fares.
- 17 While we expect that the potential benefits that were identified in the Ministry's 2020 analysis supporting the authorisation continue under the amended JBA, the significant disruption to global aviation caused by COVID-19 makes it challenging to retrospectively analyse the benefits accrued by the existing JBA over the past five years.
- 18 We consider that continuing the JBA provides for international connectivity because:
  - 18.1 it continues to support British Airways' small presence in the New Zealand market
  - 18.2 it is unlikely to reduce the number of competitor airlines (see section below).

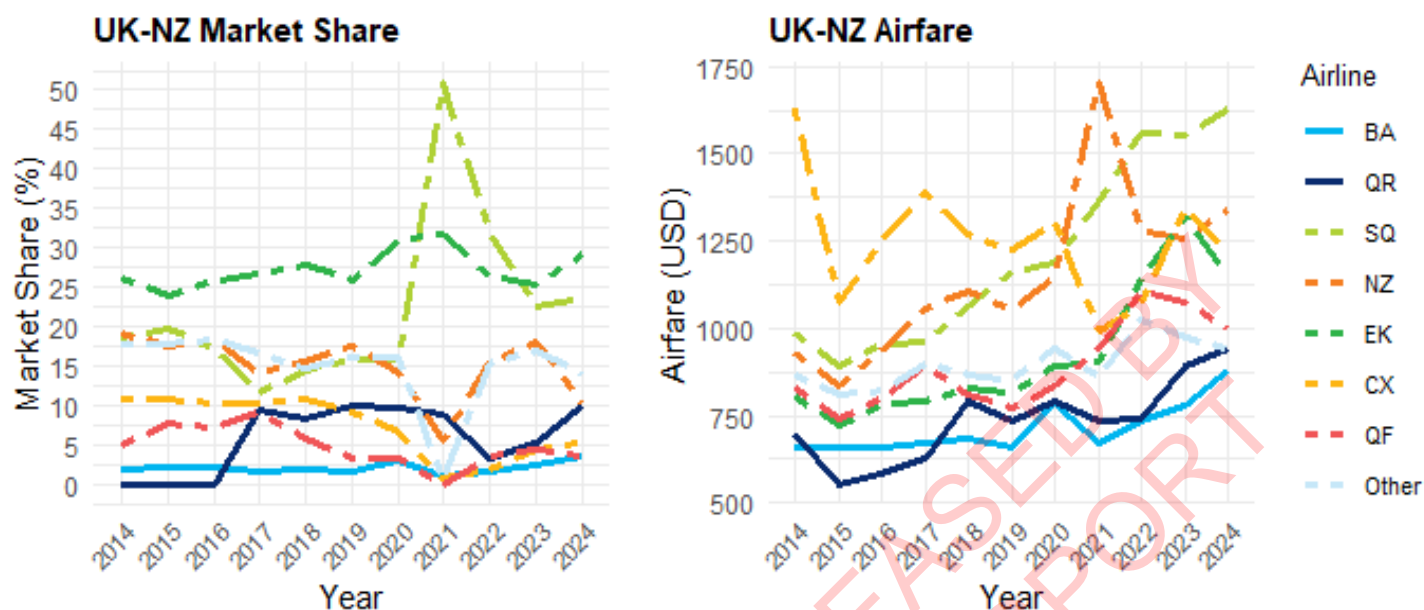
### **The JBA is unlikely to reduce competition**

- 19 As outlined in paragraph 5, airline alliances can reduce competition, for example, by reducing the effective number of competitors or by increasing the market power of the cooperating parties.
- 20 Competition economic analysis is essential for maintaining a balanced and competitive aviation market, protecting consumer interests, and promoting fair competition. Competition economic analysis is crucial for understanding the impacts of airline alliances, it:
  - 20.1 helps determine whether an alliance will lead to excessive market power, allowing airlines to dominate certain routes and potentially engage in anti-competitive practices
  - 20.2 examines how alliances affect consumer prices and service quality. This includes analysing whether alliances lead to higher fares or reduced service levels due to decreased competition
  - 20.3 can identify potential efficiency gains from alliances, such as cost savings and improved service offerings, which can benefit consumers if passed on in the form of lower prices or better services.
- 21 The Ministry's analysis focused on the two largest markets and key routes covered by Phase 1 of the amended JBA: United Kingdom – New Zealand and Western Europe – New Zealand.

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<sup>1</sup> Double marginalisation occurs when each airline adds a margin or mark-up to its ticket price for its part of the journey. When airlines coordinate on pricing, they can reduce or remove the combined markups and offer more competitive pricing.

*Market shares and average airfares between United Kingdom and New Zealand*



**Key:** BA – British Airways QR - Qatar Airways SQ – Singapore Airlines NZ - Air New Zealand EK – Emirates  
CX – Cathay Pacific QF - Qantas

- 22 There are multiple existing operators on the routes between New Zealand, the UK and Europe. The applicants have a low market-share on these routes (also see Annex 2)
- 23 Qatar Airways holds a 10 percent United Kingdom–New Zealand market share, while British Airways holds four percent. The current JBA has not significantly affected competition in this market over the last 5 years.
- 24 The alliances of Singapore Airlines – Air New Zealand, Emirates – Qantas, and Air New Zealand – Cathay Pacific are dominant in the United Kingdom–New Zealand market, collectively holding 72 percent market share.
- 25 Overall, average airfares for the United Kingdom–New Zealand market increased by less than 35 percent for both British Airways and Qatar Airways since authorisation of the JBA (refer 2019 vs 2024 in the graphs above). These fare increases are comparable to those observed among dominant competitors and reflect, to an extent, the impacts of inflation and exchange rate changes.
- 26 We observe similar airfare trends in the Western Europe–New Zealand market. Qatar Airways has 13 percent market share, and British Airways less than 2 percent.

### Consequences of declining to authorise the proposed arrangement

- 27 Counterfactual analysis helps determine what would have happened in the absence of an airline alliance. If the authorisation is declined, we do not necessarily expect a change to the applicants' current business in New Zealand. s 9(2)(b)(ii)

- 28 Declining the authorisation means that the parties would exclude the New Zealand routes from the JBA. However, the parties could look to continue existing codeshare and interline arrangements<sup>2</sup>. s 9(2)(b)(ii)
3. Any benefits associated with the JBA would not materialise.

### Length of authorisation

- 29 The applicants have applied for reauthorisation of the Alliance for a further term of five years, until 31 May 2030. We normally authorise for a period of five years - the application is consistent with this timeframe.

### Stakeholders support reauthorisation

- 30 As part of normal practise, the Ministry consulted publicly on the proposed reauthorisation. Only two submissions were received – from Auckland Airport and NZ Airports Association. Both submitters were strongly supportive of the JBA for a further five years, if the Ministry's analysis showed greater benefits to New Zealand compared to competition concerns.

### Risks

- 31 There are minimal risks in authorising the continuation of the JBA. The JBA has been in place since 2020, and its continuation has support from key stakeholders (see paragraph 30). There is no evidence of competitive detriments.
- 32 Transitional provisions under the 2023 Act state that an authorisation under the 1990 Act and in force immediately before the commencement date is treated as an authorisation given under the 2023 Act. The 2023 Act allows you to vary the authorisation, if you wish to, if there is a material change of circumstance.

*If you delay your decision beyond 4 April, a final decision before the current authorisation expires on 31 May 2025 is not possible*

- 33 The 2023 Act comes into force on 5 April 2025. The 2023 Act provides for greater transparency and consistency that underpins the process of assessing airline agreements. It also introduces a new statutory test to be satisfied before authorising.
- 34 The applicants have applied, and we have assessed the application under the 1990 Act. They have requested a decision by 4 April 2025.
- 35 Should you wish to delay a decision beyond 4 April 2025, this would introduce several mandatory steps under the new Act before you could make a final decision. These include publishing a proposed decision and allowing reasonable time for written submissions. The applicants would also need to update the application to meet the new statutory test.
- 36 Completing the new prescribed steps for you to reach a final decision before the current authorisation expires on 31 May 2025 is not possible. This would adversely impact their

<sup>2</sup> See Annex 1 for an explanation of the most common types of airline cooperation agreements.

<sup>3</sup> s 9(2)(b)(ii)



business and passengers as without authorisation, they would be unable to continue operating under the JBA.

**We recommend that you authorise the JBA**

37 The Ministry's advice is to authorise the JBA for Phase 1 territories for a further five years to 31 May 2030. We have balanced the following matters to reach our conclusion that the JBA delivers benefits that outweigh any detriments or competition concerns:

37.1 it meets the criteria under the 1990 Act as it relates to Phase 1 territories (primarily between the United Kingdom and Europe)

37.2 our market analysis shows that the applicants have a low market share on the routes - authorising the JBA will likely not lessen competition

37.3 if the authorisation is declined, we do not necessarily expect a change to the applicants' current business in New Zealand the counterfactual scenario. However, there will be fewer choices for BA customers to travel to New Zealand, unless BA can arrange to codeshare with Qatar outside the JBA

37.4 there is stakeholder support for the JBA if our analysis shows authorising the JBA does not lessen competition.

38 s 9(2)(b)(ii)

**Next steps following your decision**

39 We will inform the applicants of your decision regarding authorisation.

40 We intend to publish a copy of this briefing and our detailed analysis on our website. We will withhold any information consistent with the Official Information Act 1982, such as commercially confidential information and legally privileged advice.

41 This is consistent with our approach to previous alliance applications and provides transparency to interested parties on the decision-making process and the factors that were considered in making your decision. Under the 2023 Act it will become a mandatory requirement for you to publish the reasons for your decision.

42 Previously, some authorisations have had an associated media release. We will provide your office with a draft media release, if you are interested in announcing your decision. We will also inform any key stakeholders ahead of any public announcement.



## ANNEX 1 – COOPERATION BETWEEN AIRLINES GENERALLY TAKES ONE OF SEVERAL FORMS

Some common types of airline agreements are:

**“Interline” arrangement:** in which one airline buys tickets for travel on another airline at a pre-determined price.

**Codeshare arrangement:** an agreement through which an airline is effectively given the ability to sell seats on flights operated by another airline as if it were operating that flight with its own aircraft. Codeshare agreements are relatively common and, without additional cooperation, rarely raise competition issues.

**Revenue sharing alliance:** an extensive commercial agreement in which two or more airlines agree to cooperate on all aspects of pricing, scheduling and service delivery in a particular market. These arrangements are generally subject to a much higher level of regulatory scrutiny as they have the potential to reduce competition. The agreements under which the Applicants are currently working have a degree of cooperation similar to those of a revenue-sharing alliance.

**Global airline alliance:** many airlines are members of one of three global alliance groups: Star, Oneworld and Skyteam. Members of global alliances work together to provide services to consumers by cooperating in areas such as marketing, scheduling, ticketing, and frequent flier schemes. The level of cooperation differs between members; however, it is common for members of the same groups to enter into interline and codeshare agreements with one another. Both British Airways and Qatar Airways are member of the Oneworld global airline alliance.

The depth of cooperation in airline agreements can be broadly categorised into three levels of agreement:

**Limited cooperation on specific routes:** Interline or frequent flyer programme and lounge access.

**Additional cooperation to expand the network:** Code sharing agreements or direct coordination.

**Merger-like integration:** Revenue sharing or metal neutral.

## ANNEX 2 – SUMMARY OF ANALYSIS

Factor	Summary	MOT Analysis Report <sup>4</sup>
Legal Framework	<ul style="list-style-type: none"> <li>The agreement continues to meet the statutory conditions allowing it to be authorised under section 88(2) of the Civil Aviation Act 1990.</li> <li>Amendments since the last authorisation are to include Iberia as a party to the JBA and to allow for a two-phase approach to joint business territories.</li> </ul>	See pages 6-9
Market shares and airfares	<ul style="list-style-type: none"> <li>See market table over page.</li> <li>No competition concerns, given the size of Qatar Airways' market share and British Airways' presence is minimal.</li> <li>Alliances of the main competitors collectively hold 72% of the UK-NZ market share.</li> <li>Applicants have always offered lower airfares compared to the main competitors.</li> <li>Increases to applicants' airfares since authorisation are comparable to main competitors and reflect, to an extent, the impact of inflation and exchange rates.</li> </ul>	See pages 10-15 and Annexes 1-3
Public benefits	<ul style="list-style-type: none"> <li>Coordinating their services, schedules and booking arrangements</li> <li>Value-added services through jointly offered loyalty benefits, frequent flyer points, and enhanced network destinations.</li> <li>Cost efficiencies passed on to customers through lower airfares</li> </ul>	See pages 15-16
Public detriments	<ul style="list-style-type: none"> <li>No evidence of competitive detriments from market analysis (see above)</li> </ul>	See pages 10-15
Counterfactual (what would happen if the JBA was not authorised)	<ul style="list-style-type: none"> <li>New Zealand routes would be excluded from the JBA, and therefore the benefits above would not be available to customers.</li> <li>Parties would look to continue their existing codeshare and interline arrangements s 9(2)(b)(ii)</li> <li>s 9(2)(b)(ii)</li> <li>s 9(2)(b)(ii)</li> </ul>	See page 16

<sup>4</sup> British Airways, Qatar Airways and Iberia Airlines Joint Business Agreement Reauthorisation, Ministry of Transport Analysis, March 2025

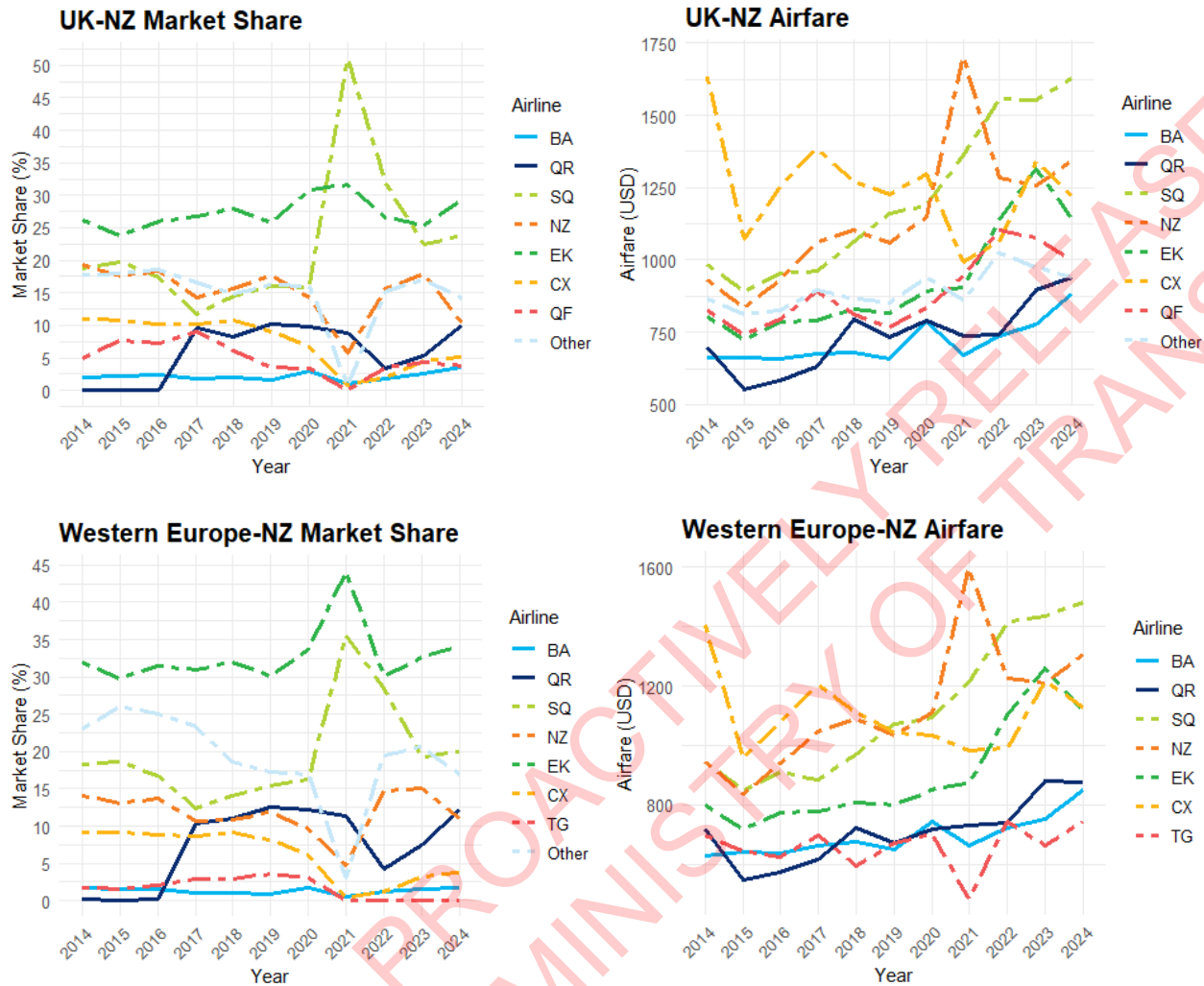
The following table (page 10 of analysis report) summarises changes in key competition indicators for the JBA's primary and secondary markets to date (based on data from 2020 to 2024). Given the significant disruptions from Covid-19 it is difficult to make definitive conclusions about the impacts of the JBA in recent or future years.

*Status of the market competition before and after 2020 for selected markets and routes*

	Pre- 2020 market share of applicants	2023 to 2024 market share of the applicants	Market concentration <sup>5</sup> (2014 to 2024)
<b>United Kingdom</b>			
London-Auckland	Small (BA < 2%, QR 10%)	Small (increased <2%)	Moderately concentrated
Manchester-Auckland	Medium (BA <1%, QR 25%)	Medium (decreased <3%)	Highly concentrated
London-Christchurch	Very small (BA & QR 2%)	Very small (increased 2%)	Highly concentrated
London-Wellington	Small (BA & QR <3%)	Small (BA 9%, QR 2%)	Moderately concentrated
<b>Western Europe</b>			
Frankfurt-Auckland	Very small (BA & QR 10%)	Very small (no change)	Moderately concentrated
Paris-Auckland	Small (BA < 1%, QR 14%)	Very small (BA <1%, QR 9%)	Moderately concentrated
Amsterdam-Auckland	Very small (BA, QR < 9%)	Very small (no change)	Moderately concentrated

<sup>5</sup> Market concentration refers to the extent a small number of airlines dominate a particular market. By itself a high concentration does not necessarily indicate the market is not competitive.

Market shares and average airfares between United Kingdom and New Zealand, and Western Europe and New Zealand



Key: BA – British Airways QR - Qatar Airways SQ – Singapore Airlines NZ - Air New Zealand EK – Emirates CX – Cathay Pacific QF – Qantas TG – Thai Airways