



TOURISM NEW ZEALAND – MANAAKITANGA AOTEAROA  
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21 February 2013

Richard Cross  
Senior Adviser - Ministry of Transport  
89 The Terrace  
Wellington 6140

Dear Richard

**Re: Air New Zealand and Singapore Airlines Alliance Application**

**Executive Summary**

Tourism New Zealand views the proposed Alliance positively and considers the Alliance as a positive step towards improving and growing New Zealand's international air connectivity.

The expectation that there will be approximately a thirty per cent increase in seat capacity between the two carriers between New Zealand and Singapore compared to the current state is at the heart of our support for this Alliance and we advocate should be a condition of the Alliance being approved. This extra capacity will naturally lead to adequate levels of promotion and price competition remaining on the services under the proposed Alliance model. Without this capacity expansion, there is a significant risk of both Alliance partners benefiting from reduced competitiveness.

Whilst it is Tourism New Zealand's understanding that capacity expansion is also planned for SIA operated South Island non-stop services; consideration should be given to minimum capacity thresholds on this route being a condition of approval of the Alliance.

**General comments on the proposed Alliance**

*New Zealand tourism likely to benefit from the proposed Alliance*

Tourism New Zealand supports the proposed alliance between Air New Zealand and Singapore Airlines Alliance on the basis that it will deliver the public benefits to New Zealand as described in the application, in particular, the proposed alliance is expected to:

- Lead to a sustainable increase in air capacity between Singapore and New Zealand.
- Improve New Zealand's air connectivity with the rest of the world – in particular through South and South East Asia.
- Will enable Air New Zealand to better distribute traffic from the UK and Europe between Singapore and North America allowing the ability to increase capacity on the North America- Akl route
- Increase the availability of lower cost fares through increased capacity on the route.
- Provide positive stimulation of inbound tourism to New Zealand with the additional seat capacity incentivising the airlines to market New Zealand as a destination (to fill the additional seats).

### Other potential impacts of the proposed Alliance

While encouraged by the positive outcomes that may result from the proposed alliance, Tourism New Zealand recognises that there may other outcomes from the Alliance. These include:

- The alliance may create pressure on the viability of competing services operating on the New Zealand - Singapore route, notably the three x week Auckland - Singapore service operated by Jetstar.
- If the increased competition led to a reduction in services on the Singapore – New Zealand route, e.g. Jetstar withdrawing services, this would impact inbound capacity and competition on the route and dilute the forecast benefits of the Alliance.

### **Background context**

#### Anticipated growth of visitor arrivals from South and South East Asia

Tourism New Zealand's view is that potential for significant growth exists for visitor arrivals from markets in South and South East Asia. In order for this growth to be realised, it is necessary to have sustainable, timely and regular services between the region and New Zealand, Singapore is a key, linking services in the region to New Zealand.

#### Importance of international visitors to New Zealand

International visitors to New Zealand generated \$9.6b in export earnings for New Zealand for YE March 2013, making this NZ's second largest export sector. Almost all visitor arrivals to New Zealand rely on New Zealand's air connectivity with the rest of the world. Therefore, maintaining existing and sustainably growing air connectivity is critical to increasing the value of international visitors to New Zealand and achieving the goals for growing exports, as per the Governments Business Growth Agenda.

#### Tourism New Zealand's role

Tourism New Zealand is the crown entity responsible for marketing New Zealand internationally as a visitor destination, our mission is to increase the value of international visitors to New Zealand.

As part of its activities, Tourism New Zealand partners with airlines to promote New Zealand as a visitor destination, including both of the airlines submitting this application; Air New Zealand and Singapore airlines, and Jetstar, which also operates on the New Zealand – Singapore route.

Thank you for the opportunity to comment on this proposed alliance, to reconfirm, in Tourism New Zealand's view the proposed alliance is likely to provide a net benefit to New Zealand and so we would support the Minister of Transport authorising the proposed Alliance with the necessary requirements for the additional seat capacity being retained.

Yours Sincerely,



Graeme Howard  
Business Planning & Evaluation Manager  
TOURISM NEW ZEALAND