



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

Submission to the Ministry of Transport

on the

**Air New Zealand and Singapore Airlines Alliance
application**

21 February 2014



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EXECUTIVE SUMMARY

1. The Tourism Industry Association New Zealand (TIA) supports the application by Air New Zealand and Singapore Airlines to the Minister of Transport seeking authorisation of a Strategic Alliance on the basis that such an Alliance will:
 - allow for a sustainable growth in capacity between New Zealand and Singapore leading to the stimulation of both inbound and outbound traffic
 - deliver public benefits for customers
 - stimulate tourism to New Zealand due to the expansion of the Air New Zealand and Singapore Airlines network
 - promote competition on routes between New Zealand and Asia and to and from Europe.

RECOMMENDATION

2. TIA recommends to the Minister of Transport that the Alliance application between Air New Zealand and Singapore Airlines be approved.

INTRODUCTION

1. Growing sustainable air connectivity is a key foundation theme of the *Tourism 2025* growth framework (facilitated by TIA in conjunction with private and public sector partners). Connectivity with markets is crucial to any country's tourism industry and economic growth plan, but no more so than for New Zealand with 99% of our 2.7 million international visitors arriving by air. It is important too, for outbound traffic and cargo.
2. In the past, however, the tourism industry has not had the necessary focus on aviation, given its importance to the visitor economy. This needs to change given New Zealand's isolation from its markets. The long haul flights needed to reach here have resulted in New Zealand routes achieving comparatively lower yield than other international routes to competing destinations. This makes the challenge harder, but necessary, if New Zealand is to retain existing airlines and attract new ones.
3. To grow inbound tourism we need long-term growth in air capacity and this means New Zealand must become an attractive destination for commercial airlines to deploy their highly mobile assets. This means growing demand among higher value visitors and increasing the volume of visitors.
4. The success of sustainable airline connectivity also depends on tackling the perennial issue of seasonality by improving yields and loads in shoulder and off-peak periods. The annual average occupancy on flights to New Zealand is 75.4% which is below the global average. New Zealand's outbound travel (2.2 million) does not compensate for the loss of inbound visitors we have during this period.
5. Increasing the proportion of high-value visitors coming to New Zealand will improve the economics of airlines and on-the-ground operators, while increasing passenger numbers would also bring many benefits to and beyond the tourism sector.
6. *Tourism 2025* puts growing sustainable air connectivity at the forefront of the framework as one of five key and inter-dependent themes that will lay a strong long-term economic growth framework.

COMMENT

Sustainable growth in capacity

7. The Air New Zealand and Singapore Airlines Alliance application is consistent in every way with *Tourism 2025* and aligns with the air connectivity theme of the growth framework.
8. The Alliance, if approved, between Air New Zealand and Singapore Airlines will provide an opportunity for sustainable capacity and frequency growth on services between New Zealand and Singapore and vice versa. It would see Air New Zealand recommencing services on the Auckland to Singapore route with a daily operation and Singapore Airlines up-gauging its daily service on the same route with the gradual introduction of an A380 aircraft. Singapore Airlines has already up-gauged

services on its Christchurch route. This will benefit from Air New Zealand's sales and distribution strength in the New Zealand market if the Alliance is approved.

9. For Air New Zealand, the Alliance will allow the airline to expand its Pacific Rim operations and bring more passengers on to those services. For Singapore Airlines the Alliance will provide an opportunity for more customers to be travelling through its Singapore hub onto destinations in Asia, Europe and southern Africa.

Public benefits

10. TIA's support for the Alliance is also made on the basis that an arrangement between Air New Zealand and Singapore Airlines will result in significant benefits for the travelling public. Capacity growth should lead to a stimulation of both inbound and outbound traffic and greater availability of competitive airfares on routes to and from Singapore, Auckland and beyond.
11. The expansion of Air New Zealand's network will create codeshare and connectivity benefits including access for its customers to more than 50 Singapore Airlines and Silk Air destinations, while Singapore Airlines customers will obtain codeshare to the Air New Zealand domestic and Pacific network.
12. Other public benefits also include enhanced frequent flyer and loyalty benefits not only for Air New Zealand and Singapore Airlines passengers, but for customers of other Star Alliance airlines.

Stimulating inbound tourism

13. The creation of the Alliance will act as a stimulant for New Zealand inbound tourism. Singapore is a vital source of visitors itself (42,256 in 2013 and 9th largest inbound market), and importantly it is a hub for many more visitors that come to New Zealand. Having our national carrier flying daily to one of the world's major air transport hubs will help lift New Zealand's profile, as well as our country's accessibility to visitors from the wider Asian region where many of our new Asian markets are located.
14. The Alliance also sends strong signals to New Zealand's tourism industry that any investment they make in both product and marketing to attract visitors from the Asian region would be supported by a growth in sustainable air connectivity.

BACKGROUND

About TIA

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

A bed-rock of New Zealand's economy

18. Tourism for New Zealand is big business as the country's second largest export sector. It is a major contributor to the New Zealand economy that will always be here – and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean, green, pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
19. The tourism industry delivers the following value to New Zealand's economy:
 - Tourism in New Zealand is a \$66 million per day and \$23.9 billion a year industry.
 - The tourism industry directly and indirectly supports more than 185,000 full-time jobs, or about one in ten people in the workforce.
 - Domestic tourism contributes \$39 million in economic activity every day or \$14 billion per annum.
 - International tourism contributes \$27 million in economic activity every day or \$10 billion per annum.
 - International tourism represents 8.7% of GDP as New Zealand's second largest export industry.

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