

SUBMISSION ON THE REAUTHORISATION OF THE AIR NEW ZEALAND SINGAPORE AIRLINES ALLIANCE

Dated: September 14, 2023

Introduction

1. Auckland International Airport (Auckland Airport) welcomes the opportunity to submit on the application by Air New Zealand (NZ) and Singapore Airlines (SQ) to the Minister of Transport (the Minister) to reauthorise their strategic airline joint venture.
2. Genuine competition between airlines is vital for consumers and all forms of coordination between airlines, including joint ventures and alliances, must always be thoroughly scrutinised to ensure they result in strong consumer benefits. As we remain in a period where global aviation is rebuilding, capacity is constrained, and airfares are high, it is even more crucial to ensure any airline cooperation results in clear benefits for consumers and the wider economy.
3. In the 2023 financial year, Auckland Airport had 25 airlines flying to 40 destinations. In June 2023, international seat capacity recovered to 90% compared with pre-Covid, and domestic recovered to 89%. The return of passenger flights also restores international freight capacity to 95% of pre-pandemic level.

Auckland Airport views on the Air New Zealand and Singapore Reauthorisation

4. Auckland Airport's comments in this submission relate only to this specific reauthorisation of this agreement, at this time.
5. Airline joint venture cooperation agreements allow two or more airlines to co-ordinate pricing and seat capacity deployed on one or more air routes and across multiple origin and destination points. While this can bring about consumer benefits, it also concentrates market power, so all such arrangements must be carefully scrutinised on their merits.

6. Auckland Airport strongly supports a process which requires airline joint venture arrangements to be regularly re-applied for to ensure they are resulting in the benefit to consumers that were promised by the airline operators.
7. The alliance between Air New Zealand and Singapore has been in place since 2014 and was reauthorised in 2018.
8. The Minister should only reauthorise this agreement to co-ordinate capacity and pricing if analysis shows that there are clear consumer benefits and that it does not risk suppressing air capacity to and from New Zealand or drive higher prices for travellers.
9. Auckland Airport is supportive of the Minister reauthorising the alliance if the airlines can demonstrate clear customer and economic benefits. We do however remind the government that they need to monitor airline pricing and competition issues in general more closely than is currently the case.
10. In Auckland Airport's view, the alliance between NZ and SQ as an airline joint venture does appear to have consumer benefits.
11. These benefits include a rapid recovery post-Covid of the airline capacity deployed by the two airlines between New Zealand and Singapore which has provided access to much needed airline seat and belly-hold cargo capacity. The two airlines currently offer travellers access to a comprehensive daily schedule of up to three flights between Auckland and Singapore as well typically daily flights between Christchurch and Singapore.
12. We understand the two carriers have further plans to add additional peak season seat capacity between Singapore and Auckland as well as Singapore and Christchurch during the upcoming IATA northern winter 2023 schedule season. This is a positive development for consumers. We also note that the alliance offers customers seamless access to the Singapore Airlines' network as well as access to Air New Zealand's network at its Auckland hub and onto its domestic and regional network throughout New Zealand.
13. Customers under this joint venture arrangement have access to reciprocal frequent flyer benefits, airline lounge access at key airports and other premium and frequent

customer benefits. However, these benefits are also typically made available to customers of these two airlines through their shared membership of the Star Alliance.

Need for close monitoring of wider competition in international and domestic market

14. While Auckland Airport supports this reauthorisation if the airlines demonstrate clear consumer benefits, we reiterate calls from earlier reauthorisation submissions that the cumulative impact on market structure, competition, and consumer outcomes of all existing airline co-ordination agreements in force across the market for travel to/from New Zealand should be regularly reviewed closely.

15. Given the large number of air routes and proportion of overall international air capacity to and from New Zealand that is now packaged up within anti-trust immune airline joint ventures that allow airlines to co-ordinate on capacity and price, we recommend that the Ministry of Transport should give consideration to implementing a system to regularly monitor the structure and health of the international travel market including:

- airline capacity
- levels of airline competition
- prices paid in the New Zealand market for both international travel and domestic travel

16. This is particularly important in the post pandemic context where there is less competition and capacity than pre-pandemic and consumers have already seen a significant escalation in airfares for both domestic and international travel within and to and from New Zealand.

17. We would add that any assessment of the overall level of competition and consumer choice should also include the domestic market, which is not immune to impact from international alliance arrangements.

18. It is worth noting that the New Zealand domestic market is highly concentrated when compared to other jurisdictions. New Zealand ranks 29th out of the top 50 countries by total domestic airline seat capacity for 2023, however we rank 48th out of 50 countries in terms one airline having the greatest total market share.

19. In New Zealand, one carrier represents 86% of the domestic aviation market, which compares to Australia where the largest domestic airline has only 61% market share. The recently published Australian Federal Government's Aviation Green Paper described the Australian domestic market as "highly concentrated", which is notable given New Zealand's market is even more dominated by one carrier.

20. Air New Zealand and Jetstar operate 16 domestic air routes to and from Auckland between them, and of those, 12 (or 75%) are a monopoly routes, with the remaining duopoly routes.

21. Domestic airfares in the six months to June 2023 are up 56% compared to the same period pre-Covid and are up 43% compared to the same period in 2022.

Conclusion

22. Auckland Airport supports the reauthorisation of this agreement of the Government can establish clear consumer benefits. However, we seek to engage the Ministry of Transport further on wider issues around consumer choice and competition in the international and domestic aviation markets.

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