

**SUBMISSION ON THE APPLICATION BY QANTAS AND EMIRATES FOR  
REAUTHORISATION OF THE AIRLINES' RE-STATED MASTER COORDINATION  
AGREEMENT**

**1. EXECUTIVE SUMMARY**

- 1.1 The New Zealand Airports Association (NZ Airports) welcomes the opportunity to comment on the application by Qantas and Emirates (the applicants) for reauthorisation of their restated master coordination agreement (the agreement).
- 1.2 The trans-Tasman market is vital for New Zealand tourism and commerce. An ongoing competitive aviation environment is important to ensure that passengers and freight customers have access to frequent, high quality, and competitively priced air services to cross the Tasman. Air capacity and a competitive airline environment are major enablers for maintaining and growing trans-Tasman tourism and airfreight volumes. If capacity is restricted, and fares or freight rates rise, Australian visitors will go elsewhere, and NZ's exporters will lose opportunities.
- 1.3 NZ Airports acknowledges that both Qantas and Emirates have contributed significant economic benefit to New Zealand, and their ongoing operational health and viability remain important to national tourism and trade interests. We also acknowledge the severe detrimental impact that the Covid 19 pandemic had on the two parties to the proposed agreement, and on international air transport in general, during 2020-22.
- 1.4 At this time, NZ Airports is of the view that reauthorising this particular agreement for five years would be of benefit to consumers, but that the Minister should as always carefully scrutinise the benefits to ensure they are in New Zealand's interests.
- 1.5 We encourage the Minister to take a robust approach to assessing the risks and benefits for New Zealand.
- 1.6 Therefore, when considering the reauthorisation application, the Minister should be satisfied that:
- (a) clear benefits have been delivered for New Zealand consumers and businesses from the previous authorisations; and
  - (b) clear mechanisms are in place to ensure those proposed benefits continue.
- 1.7 The Minister must rigorously balance the risk of the agreement reducing competitive pressure in the trans-Tasman market, against the benefits for consumers from easier access to the wider route network created by the agreement.
- 1.8 In particular, given the structural features of the trans-Tasman market, and the importance of that market for New Zealand, the Minister must be satisfied that appropriate conditions are in place to ensure a robust supply of capacity, choice and competitive airfares and freight rates for the benefit of the travelling public and New Zealand's freight sector.

## **2. THE NEW ZEALAND AIRPORTS ASSOCIATION (NZ AIRPORTS)**

- 2.1 NZ Airports is the industry association for New Zealand's airports and related businesses. Its members<sup>1</sup> operate 46 airports across the country including the international gateways to New Zealand. This infrastructure network is essential to a well-functioning economy and enables critical transport and freight links between each region of New Zealand and between New Zealand and the world.
- 2.2 This submission should be read in conjunction with any submission provided by our individual member airports.

## **3. THE IMPORTANCE OF AVIATION AND A COMPETITIVE TRANS-TASMAN MARKET TO THE NZ ECONOMY**

- 3.1 New Zealand is an island nation highly dependent on air connectivity. Tourism 2025 noted that connectivity with markets is crucial to any country's tourism strategy. 99% of visitors to New Zealand arrive by air so the aviation sector is a fundamental enabler of tourism.
- 3.2 Capacity, competition, and choice are important elements of the policy mix that has allowed New Zealand to move forward from the poor position of past years, and these must be carefully protected. Ongoing attention is important to ensure that the gains in connectivity made since 2010 are protected and built upon
- 3.3 New Zealand is comparatively vulnerable to reductions in air capacity due to the small volume of airlines based in New Zealand, and New Zealand's low population limits the growth in outbound traffic share that would lead to sustainable growth in air capacity.
- 3.4 New Zealand's isolation, coupled with a number of uncontrollable factors influencing the operating environment, have resulted in New Zealand routes achieving comparatively lower yield returns than other international routes to competing tourism destinations. In general, airlines are not highly motivated to grow capacity into New Zealand, and this has a negative effect on the tourism and air freight sectors.

## **4. ISSUES FOR THE MINISTER OF TRANSPORT TO CONSIDER**

- 4.1 Trans-Tasman tourism is the essential foundation of New Zealand's visitor economy. Air capacity and a competitive airline environment are the major enablers for maintaining and growing that trans-Tasman tourism. The potential for a less competitive trans-Tasman market to damage New Zealand's growth prospects remains very clear. If trans-Tasman capacity is restricted and fares rise, Australian visitors will go elsewhere.
- 4.2 The Master Coordination Agreement was originally authorised because it promoted additional Tasman capacity and connectivity, and the Minister at that time felt this detrimental effect could be managed by a five-year duration to allow an assessment of the impact of the alliance, and to incentivise the applicants to ensure that benefits are delivered and the capacity conditions imposed met. This logic remains intact and is persuasive, so the Minister should consider a five-year reauthorisation period as optimal.

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<sup>1</sup> Our member airports: Ardmore Airport, Ashburton Airport, Auckland Airport, Bay of Islands Airport, Chatham Islands Airport, Christchurch Airport, Dunedin Airport, Gisborne Airport, Hamilton Airport, Hawkes Bay Airport, Hokitika Airport, Invercargill Airport, Kaikohe Airport, Kaitaia Airport, Kapiti Coast Airport, Marlborough Airport, Masterton Airport, Matamata Aerodrome, Motueka Airport, Nelson Airport, New Plymouth Airport, North Shore Airport, Oamaru Airport, Palmerston North Airport, Pauanui Airfield, Pukaki Airport, Queenstown Airport, Rangiora Airfield, Rotorua Airport, Takaka Airport, Taupo Airport, Tauranga Airport, Te Kowhai Airport, Thames Aerodrome, Timaru Airport, Wairoa Airport, Wanaka Airport, Wellington Airport, West Auckland Airport, Westport Airport, Whakatane Airport, Whanganui Airport, Whangarei Airport.

- 4.3 Qantas and Emirates have set out in the application for reauthorisation a number of potential benefits for consumers. Although NZ Airports agrees there are benefits, the extent of those benefits should still be well tested and scrutinised by the Minister. The agreement has been operating for 10 years since 2013, with the severe disruption by the Covid 19 pandemic only for the last three years. The Ministry should examine the performance of the agreement operating between 2013 – 2019 and assess if the public benefits did eventuate.
- 4.4 The Ministry should also consider the current context, which is that Emirates only operates one Trans-Tasman route, Dubai-Sydney-Christchurch, meaning that the two carriers do not compete in any real form on the Tasman. There is currently little risk in this agreement at this time reducing competition on the Tasman, which reduces the risk of capacity being constrained if the agreement is renewed.
- 4.5 If the Minister decides to grant the reauthorisation, NZ Airports asks the Minister to consider implementing appropriate controls to ensure the claimed benefits are realised and that a fair and equitable market structure will operate on the Tasman during the term of the new agreement.
- 4.6 The Minister should also consider the merits of this agreement within the overall cumulative impact of all existing airline co-ordination agreements, and how competition is affected more widely.

## **5. RECOMMENDATIONS**

- 5.1 NZ Airports makes the following recommendations:
- (a) That the application be subject to a rigorous analysis of whether authorisation is in the wider New Zealand public interest, having regard to demonstrable evidence that the public benefits claimed by the applicants have been delivered during the last ten years; that national benefits are likely to be delivered in the term of the renewed authorisation; and that those benefits outweigh the public detriment of the alliance.
  - (b) That any authorisation should be for 5 years only,
  - (c) All airline cooperation agreements must be carefully scrutinised on their merits and re-applied for regularly to ensure they are resulting in the benefit to consumers that were promised by the airline operators.
  - (d) 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 look to implement a system to regularly monitor the structure and health of the market including; airline capacity, levels of airline competition and the prices paid in the New Zealand market for both international travel and domestic travel.

**6. CONTACT POINT**

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