

Submission

To:	The Ministry of Transport; s.ponniah@transport.govt.nz
Date:	16 April 2015
From:	Kevin Bowler, Chief Executive, Tourism New Zealand 147 Victoria Street West, Auckland kevin.bowler@tnz.govt.nz
Regarding:	Application to the Minister of Transport by Air New Zealand and Air China seeking authorisation of a Strategic Alliance Agreement.
Title:	Tourism New Zealand responds to the application by Air New Zealand and Air China to the Minister of Transport, regarding a Strategic Alliance Agreement.
Action:	For consideration

BACKGROUND

1. On 23 March 2015, Air New Zealand and Air China applied to the Minister of Transport, pursuant to section 88 of the Civil Aviation Act 1990, seeking authorisation of a Strategic Alliance Agreement for a period of five years.

TOURISM NEW ZEALAND RESPONDS

2. In summary Tourism New Zealand supports the proposed alliance for the following reasons:
 - a. It provides the opportunity for a direct service between Beijing and Auckland, and in turn, growth potential
 - b. There is currently no other operator flying Beijing – Auckland directly
 - c. Partnerships are a proven way to establish a new air service as a result of risk sharing and access to onward connections at both ends of the service.
3. Tourism New Zealand supports the proposed alliance as there is currently no direct service that connects Beijing and New Zealand, a situation that this alliance would likely rectify.
4. Beijing is China's second largest city with a population of 20 million plus. Moreover, as the capital, Beijing is the heart of China's leadership, so the alliance agreement and likely direct service has strategic as well as commercial value to New Zealand.
5. In 2014 arrivals of Beijing province residents were 31,760, of the total 228,928 from China, falling behind Guangdong province residents as the second biggest source of Chinese arrivals. *Note: a significant number of Chinese residents (57,888) do not define a province of residence.*
6. Arrivals growth between 2011 and 2014 was 125 per cent from Shanghai province residents, 134 per cent from Guangdong province residents, but only 68 per cent for Beijing province residents. Tourism New Zealand acknowledges there has been strong arrivals growth out of Beijing but that growth has lagged other major provinces that have already benefited from improved direct air capacity.
7. In 2011, only 24 per cent of Beijing province residents arrived from Beijing, with the rest arriving from alternative ports. Any direct service as a result of this proposed alliance would likely support growth in the higher value, direct travel as visitor spend occurs in only one country.
8. There is no other carrier likely to fly the route that we are aware of, however, we do note that Hainan Airlines (China's third largest) has considered a twice weekly service from Beijing to Auckland from October 2015. They were in discussions with AIAL and ourselves last year about a seasonal charter service but wanted financial support which we were unwilling to provide given the need for a year-round service.

9. Air New Zealand has tried to make a Beijing-Auckland service profitable alone and it has not worked, a partnership with strong domestic feeder services at both ends will have a greater chance of success.
10. In addition, Tourism New Zealand has already identified a number of specific approaches it can use to target visitors from Beijing; for example campaigns to promote New Zealand as a golf destination. The extreme winter in Beijing prevents golfers from indulging in their passion at home while New Zealand's conditions remain ideal.

ABOUT TOURISM NEW ZEALAND

11. Tourism New Zealand is a Crown Agent governed by the Crown Entities Act CEA 2004. We were established by the New Zealand Tourism Board Act 1991, to market our country as an international visitor destination for the long-term benefit of New Zealand.
12. We aim to improve tourism's contribution to economic growth by growing the value of international visitors to New Zealand.
13. Our statutory functions under the CEA Act include to:
 - a. Develop, implement and promote strategies for tourism.
 - b. Advise the Government and the New Zealand tourism industry on matters relating to the development, implementation and promotion of those strategies.
14. As New Zealand's National Tourism Organisation, we are the only publicly funded entity within our country with the mandate and resources to promote 'destination New Zealand' to potential visitors.
15. While advertising and promotion activity is where we focus many of our resources, our marketing also extends to co-operative marketing with international travel sellers and airlines, engaging with New Zealand tourism operators, providing information for visitors, and providing assurance of the quality of New Zealand's tourism product and experiences.
16. Tourism New Zealand is governed by a Board of Directors, appointed by the Minister of Tourism, which delegates day-to-day management of the organisation to the Chief Executive.
17. Tourism New Zealand has 13 off-shore offices, two in New Zealand, and around 160 staff.