

Ministry of Transport  
PO Box 3175  
Wellington 6140

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By email: [airservices@transport.govt.nz](mailto:airservices@transport.govt.nz)

## **Air New Zealand/Cathay Pacific Reauthorisation Application**

Auckland Airport has reviewed the application from Air New Zealand and Cathay Pacific to the Ministry of Transport for reauthorisation of their North Asia Alliance Agreement under section 88 of the Civil Aviation Act 1990. The Alliance Agreement covers coordination of capacity, scheduling and pricing on services between Auckland and Hong Kong, as well as New Zealand domestic feeder routes.

Auckland Airport supports market structure arrangements that are consistent with fair and balanced competition, and which provide clear benefits for travellers – including arrangements that will deliver increased capacity, choice, and quality of service. We consider this is the best way to ensure the continued promotion of competition in international air services that is so vital to the tourism and export sectors and New Zealand's economic prosperity.

Auckland Airport appreciates the economic pressures that airlines operate under, and generally supports initiatives aimed at alleviating these – provided the above considerations are taken into account and that consumer interests are protected. This is because we have seen the detrimental impact for the travelling public where airlines act in a way that restricts consumer choice, seat capacity growth, quality of service provided and drives up fares.

As a result, we look at a range of factors when assessing if prospective and existing alliances are likely to be consistent with consumer interests. These factors include (but are not limited to):

- seat capacity trends;
- average fare prices over time to/from key markets served by an alliance;
- potential for or actual restrictions of beyond or behind traffic flows;
- the potential for new entrants to enter a market;
- competitive tension from alternative routes; and
- sudden changes in airline capacity or price.

Based on these factors, we have not seen any behaviour to date under the North Asia Alliance Agreement on the Hong Kong to Auckland route that causes us concern. In part, we believe this is because sufficient competitive tension exists on surrounding routes such that consumers travelling to/from Auckland have adequate alternative airline options when travelling to/from the connecting markets beyond the Hong Kong hub.

However, we encourage the Ministry to satisfy itself that the benefits to consumers of cooperation and collusion outweigh the potential costs. Following Hong Kong Airlines' recently-announced withdrawal from the Auckland-Hong Kong route (to take effect from May 2019), it will be important to have confidence that the Alliance Agreement will be consistent with capacity growth, competitive pricing, and improved consumer products and services. It will also be important to ensure that future conduct under the Alliance Agreement does not involve the exercise of market power to block the potential future re-entry of Hong Kong Airlines or another carrier onto the route.



Going forward, we will continue to monitor market conditions to understand whether outcomes and trends for consumers are positive, and whether each party's conduct is in the interest of travellers and the New Zealand public.

Auckland Airport would appreciate being kept up to date about the progress of this application.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'MLT', is written below the text 'Yours sincerely,'.

Mary-Liz Tuck  
General Counsel and Company Secretary