

Sonya van de Geer  
Principal Adviser, Economic Regulation  
Ministry of Transport  
Wellington  
*Via email* at [s.vandeger@transport.govt.nz](mailto:s.vandeger@transport.govt.nz) and [airservices@transport.govt.nz](mailto:airservices@transport.govt.nz)

11 September 2023

Tēnā koe Sonya

**SUBMISSION ON APPLICATION FOR AUTHORISATION OF THE ALLIANCE BETWEEN AIR NEW ZEALAND AND SINGAPORE AIRLINES**

- 1 Christchurch International Airport Limited (*CIAL*) welcomes the opportunity to submit to the Ministry of Transport (MoT) on the application for re-authorisation by Air New Zealand Limited (*Air NZ*) and Singapore Airlines Limited (*SQ*), (together, the *Airlines*) of their Strategic Alliance Agreement (the *Alliance*).
- 2 CIAL recognises that from time to time there will be market conditions that necessitate the authorisation by the Minister of Transport (Minister) of airline alliances. CIAL adopts a principled position that where such conditions exist it is broadly supportive of alliances which, following a rigorous evaluation by MoT and key industry stakeholders, can demonstrate the public benefits outweigh any public detriment. Of particular interest to CIAL will always be the potential for real capacity growth demonstrated by the alliance and its regional distribution within New Zealand.

**Key points**

- 3 CIAL recognises the importance of Air NZ and SQ to the New Zealand aviation sector. We hold the relationship with both airlines in high regard. Their services have created long-term economic benefit to a broad range of stakeholders across the South Island.
- 4 CIAL supports the application by the Airlines for re-authorisation of the alliance for a term not exceeding five years.
- 5 CIAL asks the Ministry of Transport to continue to measure the public benefits of the Alliance to ensure that it delivers the public benefits claimed and that those benefits are in excess of the counter-factual, where;
  - 5.1 SQ has flown services to Christchurch uninterrupted since 1986 and there is no evidence that these services are dependent on the Alliance;
  - 5.2 NZ has only flown services CHC-SIN for one season (2019) since the Alliance was established in 2014;
  - 5.3 Overall Alliance traffic has grown since 2014 but the Alliance has maintained Christchurch capacity at the pre-Alliance level; and

- 5.4 The benefits of the Alliance for the South Island are materially influenced by Air NZ choosing to provide appealing connections from other South Island ports that connect to CHC-SIN services.
- 6 The Minister might seek, and the Alliance can offer, assurances equivalent to those provided with the 2014 Authorisation that the Alliance would support the CHC-SIN route by incentivising Air NZ to encourage its passengers to use the service, and provide SQ with increased traffic flows to and through the CHC route. MoT should monitor Alliance performance against those assurances.
- 7 Infrastructure resilience is of increasing relevance to New Zealand as we consider the impacts of changing climate and the implications of aviation decarbonisation. Resilience is greatly aided by having multiple ports of entry able to serve passengers and airlines in the event that one port is unavailable. The Alliance Authorisation process is one lever Government can use to promote aviation system resilience.

*The SQ service is important to Christchurch and the South Island*

- 8 The SQ service to Christchurch supports the well-being of our communities in a number of ways. It provides direct connectivity for our residents into SQ's global network and more options for international travellers with a South Island point of origin. It provides direct access for visitors, who spend more and stay longer in the South Island when they can connect directly to a South Island port. A high proportion of in-bound visitors travelling on the Alliance use the Christchurch service. Our estimate is that a daily, year-round service contributes \$160m in visitor spend to the South Island economy. A direct service is the best way to create and share public benefits for the South Island.
- 9 The SQ service to Christchurch also facilitates high value exports. Our estimate is that a daily, year-round service that connects to a global hub can carry \$510m of export freight. This value was particularly demonstrated during the COVID-19 pandemic, when SQ continued to operate a freight-only service under the Maintaining International Air Connectivity (MIAC) Scheme. This service was a critical link for keeping South Island exporters connected to international markets.

*The SQ service has been stable over time*

- 10 As stated at para 5.15 in the application, the Alliance maintained capacity on the SQ service to Christchurch at pre-Alliance levels from 2014 until the COVID-19 pandemic. SQ is currently operating a daily service in NS23 and has signalled that it will operate ten services a week in NW23, returning to pre-COVID-19 capacity.
- 11 The SQ service to Christchurch has been in operation since 1986 and is well-performing. It is CIAL's view that a realistic counter-factual to the re-authorisation of the Alliance is that SQ would continue to operate its Christchurch service at pre-Alliance / current capacity without Air NZ's support.
- 12 As traffic on the Alliance has grown, concentration of alliance traffic on the SIN-AKL service has increased. Three quarters of Alliance traffic is now on that route, which is a high proportion for a mature service that serves both Auckland and Christchurch. This concentration of traffic works against the wide dispersal of public benefits from the Alliance, especially for the South Island.


- 13 Air NZ can support the public benefits that the Alliance creates for the South Island by providing appealing connections from other ports that connect with the SQ Christchurch service. Timing and gauge of connecting aircraft and price and availability of connecting fares within the Alliance are all factors within Air NZ's control that can contribute to the future growth of the SQ Christchurch service. CIAL's view is that efforts taken by Air NZ in this regard are public benefits that can be directly ascribed to the Alliance.
- 14 As part of the re-authorisation, the Minister could seek assurances from the Alliance as to steps they will take to increase the public benefits of the Alliance for South Island communities, through development of the SQ Christchurch service. The Minister can also attach specific conditions to the authorisation under section 199(3)(b) of the Civil Aviation Act 2023. The Ministry of Transport should monitor progress of the Alliance in achieving the public benefits stated in its authorisation and ensuring that these benefits are appropriately dispersed.
- 15 CIAL's position continues to be that good regulatory practice requires that authorisations are made for the shortest finite period necessary to give effect to the benefits. In relation to the current application, an authorisation term in excess of five years would in our view exceed the period necessary to give effect to the benefits.

*Resilient networks*

- 16 Increasing attention is being paid to the resilience of our transport networks in the context of the effects of, and adaptation to, climate change. Networks are more resilient – able to respond to hazards and maintain continuity - when there are more than single (n+1) routes for traffic to flow on them. This reduces the reliance on single network points of failure and reduces the impacts on travellers if a route is congested or prevented from operating.
- 17 In our view, long haul services operating from Christchurch, and CIAL's ability to accept and process long haul services, present an important network resilience benefit to New Zealand and our aviation system. Airline Alliance Authorisations are a tool available to the Minister of Transport to promote the resilience of air transport networks to New Zealand. The Minister should be prepared to use their powers relating to authorisations under the Civil Aviation Act to promote that policy goal, as required.

If there are any questions about this submission, please contact Lucy Taylor, General Manager Airfield Operations and Corporate Affairs, [s 9\(2\)\(a\)](#)

Yours sincerely



Lucy Taylor  
General Manager Airfield Operations and Corporate Affairs  
Christchurch International Airport Limited