

SUBMISSION ON APPLICATION FOR AUTHORISATION OF THE RJBA BETWEEN QANTAS AND AMERICAN AIRLINES

31 AUGUST 2020

- 1 Christchurch International Airport Limited (*CIAL*) welcomes the opportunity to submit to the Ministry of Transport (*MOT*) on the application by Qantas Airways Limited (*Qantas*) and American Airlines Inc (*American*) (together, the *Airlines*) for authorisation under section 88 of the Civil Aviation Act 1990 (*CAA*) of their Restated Joint Business Agreement (*RJBA*) and related agreements.
- 2 *CIAL* submitted on the *RJBA* on 7 August 2015 (*2015 Submission*) and acknowledges that despite the *RJBA* being authorised by the Minister of Transport on 8 November 2015 (*2015 Authorisation*) full implementation of the alliance between the Airlines had progressed for less than seven months before the outbreak of COVID-19.
- 3 As with the 2015 Submission, *CIAL*'s submission is based on our review of the public version of the Airlines' redacted application for authorisation to the *MOT*. A number of key aspects of that application remain confidential, including data in support of the Airlines' claimed public benefits. Our submission should be read in that context.
- 4 We remain broadly supportive of the *RJBA* on the basis of the public benefits outlined in the Airlines' application where it is able to be demonstrated the alliance is able to enhance regional economic outcomes for the South Island.
- 5 The Airlines state the *RJBA* will promote tourism in Australia and New Zealand. *CIAL* supports airline initiatives where a stimulation of South Island tourism and freight industries is the outcome. The South Island's tourism and freight industries are of national significance and depend on frequent, air services to international markets. Strong international air connections are vital for growing those sectors. Stimulating freight connectivity for the South Island takes on greater significance against the backdrop of COVID-19.
- 6 *CIAL* were pleased following the 2015 Authorisation American announced the non-stop route from the US to the South Island through the CHC-LAX service which was scheduled to commence in October 2020.
- 7 As indicated in the 2015 Submission the South Island visitor economy was worth in excess of \$5,817m annually and employed circa 65,000 people prior to the outbreak of COVID 19. Approximately 70% of international arrivals to Christchurch will go on to visit and distribute economic benefits to other regions in the South Island.
- 8 Visitors from the United States are valuable visitors to New Zealand each spending \$3,900 per day which is ahead of the average daily spend of \$3,080 for all visitors to New Zealand. Visitors from the United States also spend 43% of their total New Zealand expenditure in the South Island which is a greater proportion than other visitors who spend 38 % of their total New Zealand expenditure in the South Island.
- 9 Having noted in the 2015 Submission its wish to see more detail on the specific plans and campaigns the Airlines propose to implement to stimulate tourism and freight opportunities to the South Island we acknowledge the breadth of the media and marketing campaigns undertaken by American at and following the announcement of the CHC-LAX service. *CIAL* recognises the importance of driving

inbound tourism through these campaigns and is pleased to see an acknowledgement of its support.

- 10 It is of concern the likelihood of the launch of the CHC-LAX service becomes remote in the absence of an authorisation. Were that to be the case the claimed benefits noted above and in the application by the Airlines clearly become less likely to accrue to the South Island and New Zealand.
- 11 The application forms part of the first tranche of applications following the onset of COVID-19. Against that backdrop the MOT should carry out a higher degree of analysis to understand whether the benefits claimed by authorisations and the policy settings required to drive the economic outcomes that NZ will need will in fact be delivered by this and other applications.
- 12 Getting policy settings and decisions right will be of critical importance in the recovery not only of air services but also in how our regions participate in that recovery process. It would be reasonable to expect to see evidence of that thinking in any decision by the Minister
- 13 In the same vein, these are also the first applications that follow the MOT's publication of the Civil Aviation Bill (CAB) exposure draft. CIAL has expressed reservations about the alliance authorisation framework proposed by the MOT. There is value in the MOT reflecting on this application and in particular, how it believes it would be assessed within the proposed CAB framework.
- 14 Of particular interest would be who, if anyone, the Minister might consult with under the proposed section 186(3) to assist the Minister to determine the public benefits in a post COVID-19 environment. Perhaps of more interest to how the Minister would take in to account the main and additional purposes of this Act (section 189(2)) in a post COVID-19 environment. It is difficult to see, for example, which of either the main purpose and additional purposes set out in sections 3 and 4 would assist consideration by the Minister of the appropriateness of an authorisation in the current circumstances.
- 15 In summary, CIAL supports conduct which is inherently pro-competitive and can deliver public benefit through increased capacity to New Zealand, in particular Christchurch and the South Island it is broadly supportive of the authorisation of the RJBA on the basis of the public benefits outlined in the Airlines' application.