

SUBMISSION ON QANTAS EMIRATES APPLICATION FOR REAUTHORISATION OF MASTER COORDINATION AGREEMENT

Summary

1. Auckland International Airport (Auckland Airport) welcomes the opportunity to comment on the application by Emirates (EK) and Qantas (QF) to reauthorise their master coordination agreement for a further five years.
2. Genuine competition between airlines is vital for consumers and all forms of coordination between airlines must always be thoroughly scrutinised to ensure they result in strong consumer benefits. As we come out of a period where global aviation has been decimated and is rebuilding, capacity is constrained, and airfares are high, it is even more crucial to ensure any airline cooperation results in clear benefits for consumers and the wider economy.

Views on Qantas and Emirates Master Coordination reauthorisation

3. The Minister should only reauthorise this agreement to co-ordinate capacity and pricing if analysis shows that there are clear consumer benefits and that it does not risk suppressing air capacity to and from New Zealand or drive higher prices for travelling consumers.
4. There is currently no network overlap between EK and QF on their Auckland routes, meaning they do not compete on routes to Auckland. As a result, Auckland Airport has no current concerns that this agreement, if extended for a further five years, would risk either airline significantly reducing capacity on the routes they fly to Auckland.
5. Auckland Airport can also identify some consumer benefits within the coordination agreement. These include:
 - Frequent Flyer benefits including reciprocal points accrual and redemption and reciprocal lounge access.
 - Harmonisation of flight schedules at hub points, which provide passengers with quality connection options and leverages two complimentary networks.
 - Passengers being able to travel on a single ticket across both the EK and QF networks.

Scrutiny of the market is essential as aviation recovers from the pandemic

6. Auckland Airport's comments in this submission relate only to this specific reauthorisation of this agreement at this time. 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.

7. For example, in an instance where two airlines were already flying on the same routes, Auckland Airport would have significant concerns around likely reduction of capacity and duopolistic pricing if they had a coordination agreement.
8. Auckland Airport also believes the cumulative impact on market structure, competition, and consumer outcomes of all existing airline co-ordination agreements in force should be regularly reviewed
9. 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.
10. This is particularly important in the post pandemic context where there is less competition and capacity than pre-pandemic and consumers have already seen a significant escalation in airfares paid for both domestic and international travel within and to and from New Zealand. For example, international airfares to and from New Zealand are currently +47%* compared to 2019 and airfares on Tasman flights are +45%* compared to pre-pandemic prices.

* Source: Skyscanner 1H CY23

Dated: January 27, 2023

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