

AIR NEW ZEALAND - SINGAPORE AIRLINES ALLIANCE

Reason for this briefing	Air New Zealand and Singapore Airlines have agreed to amendments to their proposed Alliance Agreement in response to the key issues associated with authorising the Alliance. The applicants are now seeking a decision from you on the amended Alliance Agreement.
Action required	Authorise the provisions of the Alliance.
Deadline	Wednesday 6 August 2014
Reason for Deadline	To allow Alliance operations to start on the proposed commencement date of 1 December 2014

Contact for telephone discussion (if required)

Name	Position	Telephone		First Contact
		Direct Line	After Hours	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	✓

MINISTER'S COMMENTS:

Date:	05 August 2014	Briefing Number:	OC02498
Attention:	Hon Gerry Brownlee (Minister of Transport)	Security level:	In-Confidence

Minister of Transport's office actions

- Noted*
 Seen
 Approved
- Needs change*
 Referred to
- Withdrawn*
 Not seen by Minister
 Overtaken by events

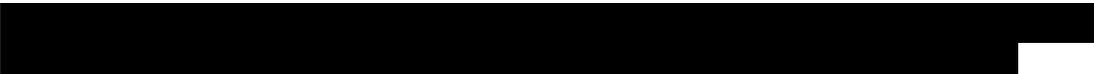
Purpose of report

1. This report updates you on amendments that Air New Zealand and Singapore Airlines have made to their proposed Alliance Agreement in response to the key issues associated with authorising the Alliance. It recommends that you authorise the Alliance.

Comment

2. Our detailed analysis of the Air New Zealand – Singapore Airlines Alliance, including the framework for making decisions under the Civil Aviation Act 1990, is contained in report OC02471 of 25 July 2014.
3. Following our discussion with you on 31 July 2014 regarding this analysis, we invited Air New Zealand and Singapore Airlines to consider two additional matters that could impact our assessment of the overall benefits of the Alliance:
 - 3.1. seeking reauthorisation after a period of four years
 - 3.2. putting in place written assurances to maintain current level of services between Singapore and Christchurch.
4. Air New Zealand and Singapore Airlines have now put in place the “First Amendment to the Strategic Alliance Arrangement” (the Amendment). The Amendment provides that:
 - 4.1. the Parties shall cease to give effect to the Agreement beyond four years from the date on which Air New Zealand commences services to Singapore unless they get approval permitting the Parties to continue to give effect to the Agreement (clause 1.3 of the Amendment)
 - 4.2. the Parties will endeavour to maintain seven services a week on the Christchurch-Singapore sector, with adjusted numbers of seasonal services as market conditions or major events warrant. This level of services is subject to exceptional circumstances or a material adverse change in market conditions (clause 1.4 of the Amendment).
5. 
6. The airlines’ application, the Alliance Agreement, the accompanying Code-share Agreement and the Amendment are attached as Annexes 1 – 4 to this report.

Christchurch

7. There is no mechanism through which a foreign airline can be compelled to operate any services to New Zealand whether through an alliance or otherwise. Even if stronger language was included in the Alliance Agreement, its effect would not be that the government could force Christchurch services to continue, but rather that the authorisation could be invalid if services were reduced.
8. 
9. The enhanced marketing support the services will get through a Singapore Airlines relationship with Air New Zealand should strengthen the case to keep the service in

Christchurch. Without the Alliance there might be less incentive on Singapore Airlines to maintain them (as they would not be in a situation of having to demonstrate benefits from the Alliance when seeking reauthorisation).

Conclusion

10. We consider that the applicants have made changes to the Alliance Agreement that satisfactorily address issues around the [REDACTED] and the term of any approval.
11. On Christchurch, we consider that the mechanisms built into the Alliance (including the way in which Air New Zealand would benefit from the services), and the need for reauthorisation after four years, provides reasonable assurance that services to Christchurch will be maintained.

Timing

12. If the Alliance is to come into force on 1 December 2014 as proposed, the parties need to commence active marketing of the Alliance services and finalise the necessary aircraft and crew scheduling requirements.
13. There is the possibility [REDACTED]
14. Once you have made your decision, we will communicate it to Air New Zealand and work with your office regarding public announcements, including the possible need to coordinate any announcements around stock exchange hours. If you decide to decline authorisation, any announcement should be made after the close of business on the Australian Stock Exchange, due in part to a strong expectation in the aviation and tourism sectors that the Alliance will be authorised.

Recommendations

15. The recommendation is that you authorise, pursuant to section 88 of the Civil Aviation Act 1990

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| a) the provisions of the Strategic Alliance Agreement between Singapore Airlines and Air New Zealand dated 16 January 2014 (except for clauses 4.1(b)(vi) and 4.9 for which the applicants are not seeking authorisation), as amended by the First Amendment to the Strategic Alliance Arrangement | Yes/No |
| b) the provisions of the Code-Share Agreement between Air New Zealand and Singapore Airlines dated 16 January 2014. | |

[Redacted]

[Redacted]

MINISTER'S SIGNATURE:

DATE: