

09 August 2023

Ministry of Transport PO Box 3175 Wellington 6140

airservices@transport.govt.nz

SUBMISSION ON THE APPLICATION BY APPLICANTS TO THE MINISTER OF TRANSPORT PURSUANT TO PART 9 OF THE CIVIL AVIATION ACT 1990 FOR AUTHORISATION OF THE AIR NEW ZEALAND AND SINGAPORE AIRLINES STRATEGIC ALLIANCE

To whom it may concern

SUMMARY

- 1.1. Dunedin International Airport Limited ("DIAL") welcomes the opportunity to participate in the structure and delivery of consumer/traveller benefits to the South Island, as the gateway to the lower South and New Zealand's 4th largest metropolitan city.
- 1.2. This submission is structured to request the Ministry ensure, and the Strategic Alliance partners (Air New Zealand, "NZ" and Singapore Airlines "SQ") consider the broader benefits of the re-authorisation of the Alliance, especially for those outside the two direct origin/destination ("O&D") city pairs of Singapore & Auckland ("AKL")/Christchurch ("CHC").
- 1.3. DIAL submission asks for a deepening of the Alliance and supports as such, but for all New Zealanders, not just those in Auckland & Christchurch, and any re-authorisation going forward.

2. CURRENT MARKET OVERVIEW

2.1. DIAL acknowledges and agrees there are remaining legacy challenges from the pandemic. These will be normalised in time – as many expect – but do seem to be taking much longer than many market commentators are forecasting. In the meantime, in the aviation sector, returning capacity has been slow, however we do acknowledge from relevant data sources capacity between Singapore and New Zealand does seem to be improving. According to Cirium SRS Analyser, seat capacity between Singapore & New Zealand to the Year Ending July 2024, will have superseded pre-pandemic levels by 8.6% – and is much better than is the case in Australia.

TELEPHONE s 9(2)(a)

- 2.2. In an environment of record airfares and significant airline profits being announced, we do question the current limits on total capacity between the markets may have enabled outsized profits to be made, absent any alliance being the counterfactual?
- 2.3. Taking a larger picture view from the Alliance Routes served by the partners, capacity from Southeast Asia to New Zealand for the YE July 2024, is down -27.4% compared to 2019, and in Australia, is only down -0.7%. The Alliance Routes for New Zealand relies on some much capacity is not supplementing at this point, the significant loss of capacity that remains today from that broader Southeast market.
- 2.4. As a consequence, this may also be playing into why airfares remain so significantly high, although DIAL accepts this is a common observation between markets although not aided by constrained seat supply.
- 3. OUTSIDE AUCKLAND & CHRISTCHURCH, HOW DO THE REST OF THE COUNTRY BENEFIT?
 - 3.1. Clause 2.5 of the Application stipulates the two "Alliance Sectors" which excludes every other destination in New Zealand specifically, while the "Alliance Routes", are stipulated in another agreement in 2014. In this agreement, specifically at Clause 3.26, the parties allude to travellers "may" receive, rather than will receive benefits as noted. We ask that the Ministry be completely satisfied with the agreement being proposed, enables as many customers as possible to benefit, regardless of the ticket fare bucket purchased.
 - 3.2. Dunedin and the lower South are delighted and thank the partners for their presence in our market. Codeshares do enable destinations to have better presence in global booking systems and provide residents and visitors better options for booking flights when connections with these codeshare exist.
 - 3.3. Whilst codeshare agreements have enabled the partners to offer services beyond AKL & CHC to points around New Zealand, we note that the increase in seats available to do so has remained low. For a comparison, in January 2024 compared to 2016, seats offered on the Alliance Sectors have increased by 22.6%, whilst codeshare seats for Dunedin increased only 2.6%. Accessibility from the wider lower south region for the same period, including other airports, Invercargill and Queenstown, the increase is 0.2% or 19 seats in total.
 - 3.4. From AKL, seats available with codeshare flights has increased substantially. Infact, almost all destinations that are still served today, compared to the same period in 2016 has seen an increase except for Queenstown. Overall,

TELEPHONE § 9(2)(a)

- a remarkable and commendable 54%. CHC has however has only seen 7.6% in growth.
- 3.5. DIAL has had a good increase in service by Air New Zealand over the last decade. We now ask that the increase also be reflected in better and more frequent codeshare options for residents and visitors alike.
- 3.6. Interestingly, non-aligned codeshare partner Etihad has had a 28.1% increase in codeshare availability for the same period.
- 4. LOYALTY AND ASSUMED PUBLIC BENEFITS, NOT SIMPLY UNDERSTOOD BY CONSUMERS
 - 4.1. The Alliance application at clause 1.5(e) and elsewhere states the loyalty and premium passenger benefits and higher earning Airpoints Dollar rates achieved by premium passengers. A broad statement is also made in regard to "...focused on improving the customer experience, particularly for passengers connecting through Changi Airport."
 - 4.2. DIAL would be keen to learn what improved customer experience the Alliance partners specifically have implemented, and furthermore understand for those passengers not travelling in a higher cabin or fare classes, what their overall earn rates for Airpoints Dollars are? A current assumption exists that the higher value business class and some economy fare levels has enabled this overall statement to be true. However, we ask that the Ministry be satisfied, that all passengers have some benefit that are members of the alliance's joint loyalty schemes not just those in business class.
 - 4.3. For an alliance application to be approved, the Ministry must be satisfied all consumers benefit. The airlines offer airfares that come with different conditions, and are determined by the fare type. In the most simple definition, the various fare classes divide every seat on a plane into different categories, each with its own price and set of rules. Fare classes are identified by one-letter fare codes. How these are determined go to the heart of the value of the Alliance financially for the partners. However, most consumers don't understand or know what and how these classes affect them and the most important aspect for many of them is when booking, limitations on earn and use of partner benefits are often obscured.
 - 4.4. The ministry must be assured, that partner benefits of the alliance are explicitly understood, as the current assumption for many would be as an airpoints in Gold or Koru club member,— purchasing some fares may limit access to lounges, or other travelling benefits, or if not a member. In addition no points may be attributable to some fares sold. Is the Ministry assured, that all consumers benefit, as not all fares are equal.

Dunedin Airport Private Bag 1922 Dunedin 9054, New Zealand TELEPHONE_S 9(2)(a)
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EMAIL_S 9(2)(a)

DIAL representing the interests of the regions residents & businesses, and those of our wider catchment, have stated in the above, two key areas for focus in what would be an enhancement asked of the applicants, in being offered re-authorisation approval.

These two specific areas are:

- A. Improved codeshare connectivity between Dunedin City and the O&D Alliance Sectors, that reflect improved connections every flight to/from DUD should carry a SQ code, or at least match those of Etihad; and
- B. The Ministry is assured, with evidence provided by the partners, that each and every fare type has the stated benefit from the alliance not simply allow some fares to be unfair to some consumers purchasing them, where no benefits accrue.

We're delighted to support this re-authorisation, with these enhancements, as we hope they too will further strengthen better access to New Zealand for visitors, and outbound for all segments of the community.

Should the Ministry like any clarity on the above issues in our submission, please contact the writer, by email s 9(2)(a) or phone s 9(2)(a)

WE REQUEST THE MINISTRY TO REDACT THESE DETAILS FROM ANY PUBLIC VERSION.

TELEPHONE s 9(2)(a)

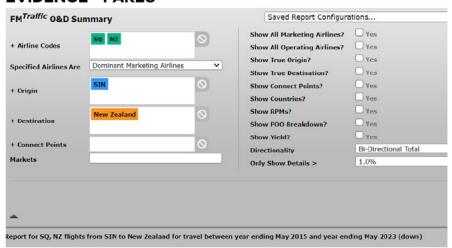
EMAILs 9(2)(a)

Yours faithfully

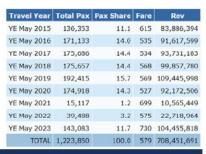
Daniel De Bono

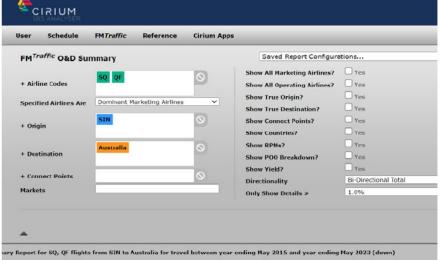
Chief Executive

EVIDENCE - FARES



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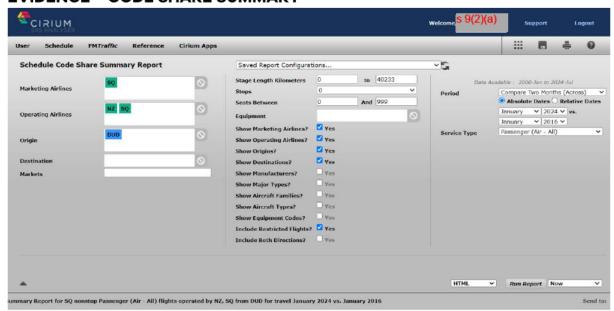
e figures in each row reflect the System Fare and Revenue values, including connecting flights.

Travel Year	Total Pax	Pax Share	Fare	Rev
YE May 2015	1,016,432	12.7	451	458,815,747
YE May 2016	1,050,001	13.1	415	435,392,891
YE May 2017	1,077,563	13.5	422	454,894,629
YE May 2018	1,163,447	14.5	436	507,752,099
YE May 2019	1,262,241	15.8	415	523,278,362
YE May 2020	1,040,806	13.0	392	407,651,122
YE May 2022	283,142	3.5	559	158,262,713
YE May 2023	1,055,956	13.2	579	611,907,856
OTHER	47,997	0.6	547	26,271,256
TOTAL	7,997,585	100.0	448	3,584,226,676

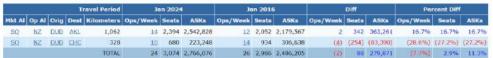
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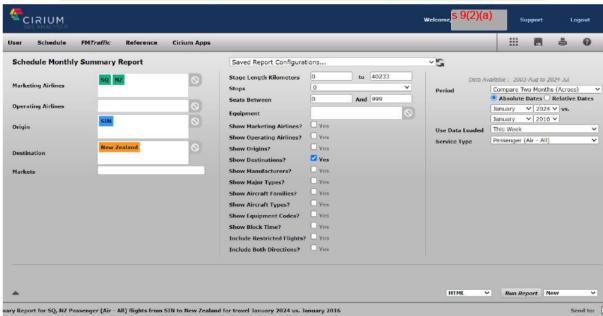
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EVIDENCE - CODE SHARE SUMMARY



is given are per week. Including the origin and destination airports, please click on the link in the Flights columns of the desired row.

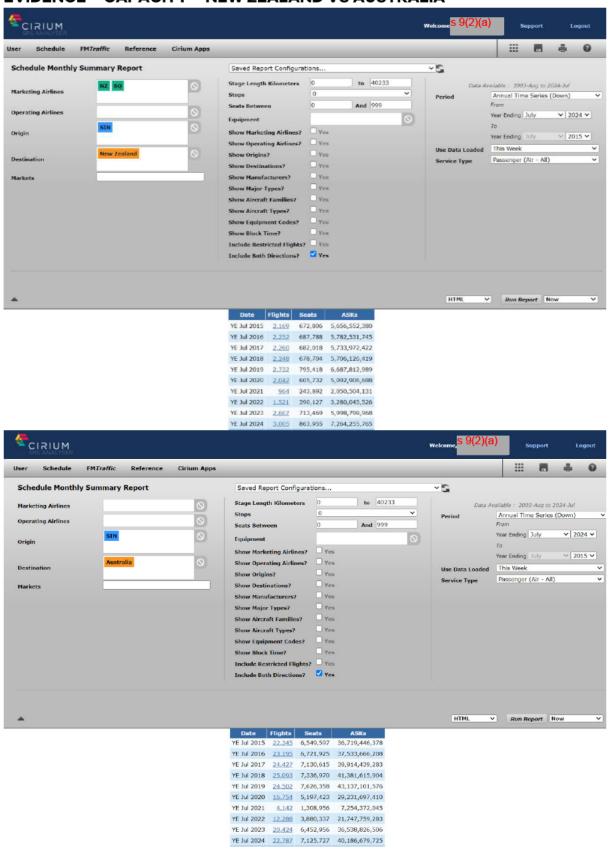




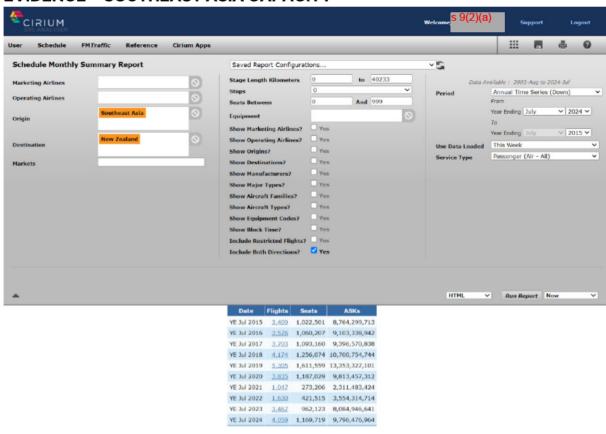
s given are per month. ncluding the origin and destination airports, please click on the link in the Flights columns of the desired row.

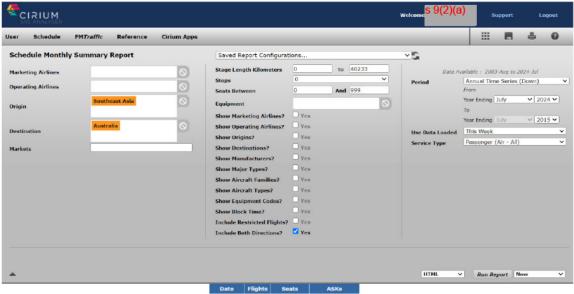
Travel Period		Jan 20	24		Jan 20	16		Dif		Percent Diff		
Dest	Dest Flights Sea		ASKs	Flights	Seats	ASKs	Flights	Seats	ASKs	Flights	Seats	ASKs
AKL	93	31,077	261,370,988	52	23,033	193,717,475	31	8,044	67,653,513	50.0%	34,9%	34.9%
CHC	44	11,132	93,517,435	42	11,382	95,617,629	2	(250)	(2,100,194)	4.8%	(2.2%)	(2.2%)
TOTAL	137	42,209	354,888,423	104	34,415	289,335,104	33	7,794	65,553,319	31.7%	22.6%	22.7%

EVIDENCE - CAPACITY - NEW ZEALAND VS AUSTRALIA



EVIDENCE - SOUTHEAST ASIA CAPACITY





 Date
 Flights
 Seats
 ASKe

 YE Jul 2015
 63,528
 17,673,894
 97,143,072,688

 YE Jul 2016
 62,766
 17,320,40
 94,481,115,998

 YE Jul 2017
 64,895
 17,937,719
 96,655,170,810

 YE Jul 2019
 66,611
 18,656,231
 102,800,559,382

 YE Jul 2020
 45,913
 12,740,185
 69,472,633,122

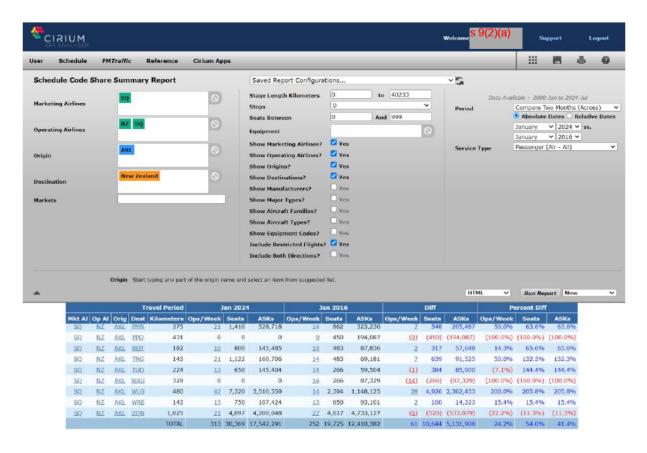
 YE Jul 2021
 5,693
 1,687,578
 9,345,099,880

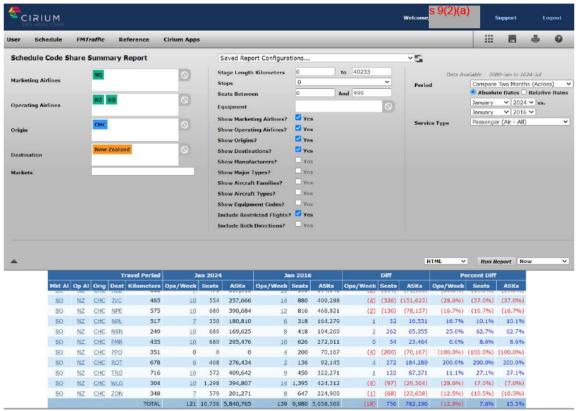
 YE Jul 2022
 19,681
 5,867,302
 33,493,599,308

 YE Jul 2023
 5,463
 15,484,534
 85,133,803,421

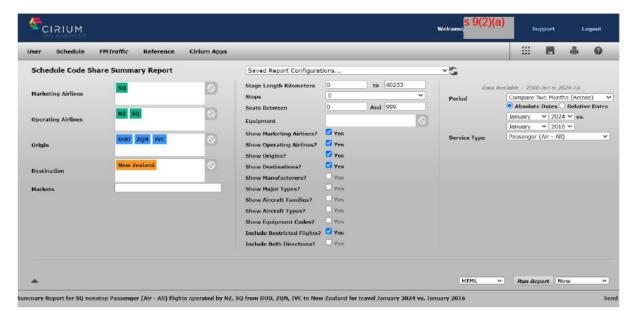
 YE Jul 2024
 68,068
 18,525,639
 102,179,476,061

EVIDENCE - CODE SHARE SUMMARY - CHC VS AKL VS....



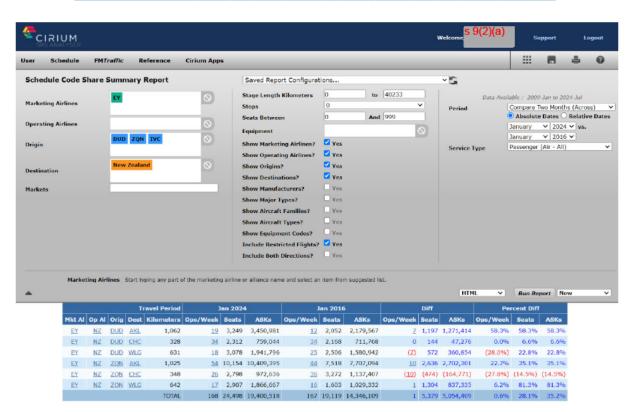


... LOWER SOUTH.... AND ETIHAD (EY)

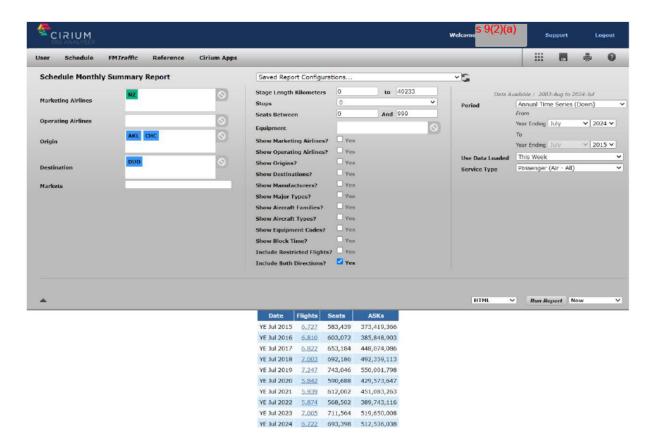


Ms given are per week. including the origin and destination airports, please click on the link in the Flights columns of the desired row.

			Ti	ravel Period	Jan 2024			Jan 2016			Diff			Percent Diff		
Mkt Al	Op Al	Orig	Dest	Kilometers	Ops/Week	Seats	ASKs	Ops/Week	Seats	ASKs	Ops/Week	Seats	ASKs	Ops/Week	Seats	ASKs
SQ	NZ	DUD	AKL	1,062	14	2,394	2,542,828	12	2,052	2,179,567	2	342	363,261	16.7%	16.7%	16.7%
SQ	NZ	DUD	CHC	328	10	680	223,248	14	934	306,638	(4)	(254)	(83,390)	(28.6%)	(27.2%)	(27.2%)
SQ	NZ	IVC	CHC	465	10	626	291,153	14	826	384,173	(4)	(200)	(93,020)	(28.6%)	(24.2%)	(24.2%)
90	NZ	ZQN	AKL	1,025	19	3,479	3,566,504	20	3,420	3,506,020	(1)	59	60,484	(5.0%)	1.7%	1.7%
SQ	NZ	ZQN	CHC	348	9	1,436	499,180	14	1,364	474,151	(5)	72	25,029	(35.7%)	5.3%	5.3%
				TOTAL	62	8,615	7,122,913	74	8,596	6,850,549	(12)	19	272,364	(16.2%)	0.2%	4.0%



GROWTH IN NZ SEATS BY NZ FROM SQ PORTS



TELEPHONE's 9(2)(a)

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