

21 February 2019

Ministry of Transport
PO Box 3175
WELLINGTON 6140

By email: airservices@transport.govt.nz

Tēnā koe

Thank-you for the opportunity to respond to the application to the Ministry for authorisation of the Air New Zealand and Cathay Pacific Airways North Asia Alliance (Alliance).

TIA is the peak body for the tourism industry in New Zealand. With around 1,600 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, transport, as well as related tourism services.

In 2015 we submitted in support of the re-authorisation of the Alliance and are **supportive of this application for re-authorisation**.

Tourism 2025

[Tourism 2025](#), an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching \$41 billion in annual tourism revenues by 2025. The industry's focus is on growing value faster than volume. The framework is based around five key themes of Insight, Connectivity, Productivity, Visitor Experience and Target for Value, and was reset in 2019, with a shift to integrating sustainable tourism.

Connectivity continues to be a key theme of the industry's growth framework. More than 93% of our international visitors arrive in New Zealand on a commercial aircraft. Without strong air connections with international destinations we do not have a tourism industry in New Zealand. Airline alliances such as this one offer the best opportunity to grow sustainable air connectivity that also grow visitor markets in a sustainable way.

The North Asia Alliance

Authorisation of the Alliance was granted in October 2012, and subsequently renewed for three years in August 2015. We support the points made in the current application, in particular:

- the importance of the Alliance in stimulating travel to New Zealand from Hong Kong. Point to point traffic on the Alliance service has grown since the Alliance was re-authorised.
- The Alliance has grown capacity between New Zealand and Hong Kong by 11% from the period before re-authorisation.

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- The Alliance introduced a new seasonal service from Hong Kong to Christchurch. We are highly supportive of initiatives that support both the regeneration of Christchurch as a gateway destination and encourages dispersal of visitors throughout the South Island.

We note the concern we highlighted in our 2015 submission re potential for the Alliance to deter competition. While Hong Kong Airlines will cease flying to Auckland from late May 2019 after operating services between Hong Kong and Auckland since November 2016, the market remains strongly competitive. China Southern and Hainan Airlines fly regularly from China into Auckland and Christchurch. Both of these airlines are within two hours of Hong Kong, creating further competitive constraint on the Alliance. In addition, there are numerous airlines that service the New Zealand/Hong Kong connections via Australian ports, adding to the competitive landscape.

Softening Market

New international visitor arrival statistics confirm that growth in the tourism economy is slowing. International arrivals grew 3.5% to 3.86 million in 2018, down from the 6.7% growth of 2017. Key points to note include:

- Concerns that travel from the UK could decline further, influenced by what happens with Brexit. Visitor numbers from the UK were down 4.9% in 2018.
- China's economy is slowing which may impact the number of Chinese travelling.
- While there has been an increase in air connections with Australia it is yet to stimulate any significant growth, with only a 1.5% increase last year.
- South America has been a rapidly developing market, stimulated by the new Air New Zealand service, but that growth is now slowing.
- Arrivals from Germany were down 2.6% in 2018, and other European markets were also soft.

It is worth noting that visitors from Hong Kong grew by over 4,000 (7.5%) between 2017 and 2018 (YE Dec) from 54,688 to 58,763.

Closing

TIA is supportive of the renewal of the North Asia Alliance. Now in its seventh year, the Alliance has achieved the benefits it has sought without impacting negatively on connectivity or competitiveness in the international market. As tourism in New Zealand enters a new phase where the growth is less spectacular than recent years, it is important that Alliances such as this continue to support sustainability of our air network and our national airline. We support the longer re-authorisation period of five years until October 2024 as requested in the application.

Nāku nā



Chris Roberts
Chief Executive
Tourism Industry Aotearoa

Tourism industry key facts:

KEY FACTS

- Tourism in New Zealand is a \$107 million per day industry. Tourism delivers around \$44 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$63 million in economic activity every day.
- Tourism is New Zealand’s biggest export earner, contributing \$16.2 billion or 20.6% of New Zealand’s foreign exchange earnings (year ended March 2018).
- 13.5% of the total number of people employed in New Zealand work directly or indirectly in tourism. That means 365,316 people are working in the visitor economy.
- The [Tourism 2025](#) growth framework has a goal of growing total tourism revenue to \$41 billion a year by 2025.

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