

Air connectivity flying high

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The influx of new airlines and air services is profiting the whole industry, with on-the-ground operators set to benefit the most.

Growth in air connectivity stimulates the visitor economy across the regions of New Zealand. For example, we can see a strong correlation between growing air capacity from China and China market spend on the ground in the West Coast - \$33 million in the year ending March 2015, compared with \$22 million the previous year.

Given 95% of visitors arrive by air, TIA is a forceful advocate for improved air connectivity.

We champion the Tourism 2025 growth framework which has building sustainable air connectivity as one of its five themes. Tourism 2025 insight revealed that that the majority of the underlying profit per passenger goes to operators on the ground.

TIA provided input into the Government's International Air Transport policy, a key part of which is that New Zealand will continue to pursue reciprocal open skies agreements where it is in our best interests.

We meet regularly with government influencers in the air connectivity space and actively support the creation of sustainable air connectivity on new code share/ joint business agreements between airlines. For example, last year we made submissions in support of the new Air New Zealand/ Air China alliance and the Qantas Airways/ American Airlines joint business agreement.

Positively, air capacity into New Zealand increased by 4.5% in the year ending March 2015, to reach 8.1 million seats, including:

- Australia up 5.3% to just under 5 million seats
- Asia region up 5.9% to 1.6 million seats
- North America up 4.1% to 733,000 seats

South America was the only region to show a decline (-32% to 98,000 seats), but this has been corrected with Air New Zealand's new Buenos Aires to Auckland service adding 95,000 seats annually.

The airline's new Houston to Auckland service is stimulating growth out of the important US market, which will be further boosted with new United Airlines and American Airlines services which take off mid-year. There's also plenty of new capacity out of the fast-growing China market.

Positively, air links are improving between New Zealand and other Pacific Rim markets, including the Philippines and Malaysia.

There is more to come. TIA continues to advocate for the right sustainable air connectivity policy settings. For a market like the Middle East this should result in new services, which will also create a stronger air pipeline to our valuable European visitor markets.