

23 March 2018

**The Honorable Elaine Chao**

Secretary of Transportation

U.S. Department of Transportation

1200 New Jersey Avenue, SE

Washington, D.C. 20590

**Re: Consultation on the proposed Joint Business Agreement between American Airlines and Qantas Airways**

Tēnā koe Secretary Chao,

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the proposed Joint Business Agreement between American Airlines and Qantas Airways.

TIA is the peak body for the tourism industry in New Zealand. With over 1,500 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure & other activities, attractions, retail, airports & airlines, as well as related tourism services.

[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 Tourism 2025 growth framework is based around five key themes, which are: Insight, Productivity, Visitor Experience, Target for Value and Connectivity.

In a review of this framework in 2016 ([Tourism 2025-two years on](#)), a number of important actions were identified, including:

Strategic Partners supporting TIA  
and the tourism industry

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- *Enabling aviation route development* – New Zealand to continue to pursue a liberal policy for enabling international air services to New Zealand, with a strong focus on liberalising markets which offer the greatest potential for high value visitors and seasonal spread
- *Developing and sustaining air routes* – Airlines and airports to work to develop and maintain new and existing air routes. Tourism industry to work to sustain these routes by ensuring demand levels that support route viability.

**TIA supports approval for an expanded joint business to better serve customers flying between North America and Australia/New Zealand.**

The joint business would be beneficial to New Zealand as it could lead to lower fares, better connections and improved route offerings.

*TIA's previous submission on the proposal*

In 2015, TIA submitted to the New Zealand Ministry of Transport (MOT) on the proposed Qantas Airways and American Airlines Joint Business Agreement.<sup>1</sup>

In our opinion, the Qantas and American Airlines Joint Business Agreement creates a platform that should encourage Qantas / American Airlines to consider further opportunities for future growth in New Zealand.

In authorising this agreement, we felt that the MOT should ensure that competitive customer pricing and increased travel options are being offered, and MOT should consider how authorisation of the Joint Business Agreement could benefit the wider New Zealand economy.

One of our recommendations was for MOT to do a periodical review (every 2.5 years) to ascertain how the Joint Business Agreement is working, whether it is delivering the proposed benefits and whether growth in New Zealand has been established.

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<sup>1</sup> For a copy of this submission, please refer to Tourism Industry Aotearoa, *Advocacy, Submissions, Air Connectivity submissions* – as sourced on <https://tia.org.nz/assets/Uploads/PDFs/RS-Submission-QantasAmerican-Airlines-JBA-final.pdf>

Just as we were in 2015, we are still supportive of the proposed expanded joint business. We were pleased to see the approval by the Australian and New Zealand MOT of the joint business proposal.

#### *The benefits for New Zealand tourism*

Visitors from the United States make up an important part of the New Zealand international visitor market. Forecasts show growth through to 2023, both in visitor numbers and spend.

- The United States is New Zealand's third-largest international tourism market in terms of visitor arrivals, with 337,664 visitors per annum (YE Feb 2018), an increase of 9.9% compared to the year before.<sup>2</sup> The United States generated \$1.29b in annual visitor spend (YE Dec 2017), with visitors from the United States spending an average \$4,400.<sup>3</sup>
- The New Zealand Tourism Forecasts 2017-2023<sup>4</sup> by the New Zealand Ministry of Business, Innovation & Employment projects US visitor spend to grow by an annual 6.5% up to \$1,715 million pa in 2023; total visitors from the United States are projected to grow by an annual 6% to 292,000 in 2023.
- The US visitor market is showing growth in New Zealand's shoulder season. TIA supports mechanisms that will drive demand to the shoulder and broader off-peak season. The Joint Business Agreement provides an opportunity to improve travel during the off-season.

The Qantas and American Airlines JBA will create a platform that will encourage Qantas / American Airlines to consider further opportunities for future growth into the New Zealand market.

The US visitor market is also an important market for dual destination travel, with almost three-quarters of holiday travellers visiting another country during their trip.

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<sup>2</sup> StatsNZ, *International visitor arrivals to New Zealand: January 2018*, 02 March 2018 – as sourced on <https://www.stats.govt.nz/information-releases/international-visitor-arrivals-to-new-zealand-january-2018>

<sup>3</sup> StatsNZ, *Tourism satellite account: 2017*, December 2017 – as sourced on <https://www.stats.govt.nz/information-releases/tourism-satellite-account-2017>

<sup>4</sup> Ministry of Business, Innovation & Employment, *International Tourism Forecasts*, 2017 - as sourced on <http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/international-tourism-forecasts>

- Research by Tourism New Zealand shows that 47% of US holiday visitors who came to New Zealand also visited Australia as part of their visit to New Zealand.
- Of those who visited Australia, the average length of stay in New Zealand was 13.5 days and the average length of stay in Australia was 13.8 days.
- Dual destination visitors tend to be from an older demographic, who have more time and money to spend. Attracting these dual visitors aligns with the Tourism 2025 goals of 'productivity for profit' and 'target for value'.

#### *The importance of a level playing field*

It is important to us that there is a level playing field for the airlines operating in the market. In our view, analysis by the Department of Transport of this level playing field for airlines operating in the market is important. We encourage the Department to test the applicants' statements that without the proposed joint business, the airlines will have no choice but to further reduce codesharing on their networks, jeopardizing the number of services and routes each carrier flies between the United States and Australia and New Zealand.

#### *Conclusion*

Overall, TIA is supportive of the proposed joint business. We are of the opinion that the arrangement would be beneficial to New Zealand as it could lead to lower fares, better connections and improved route offerings.

Please do not hesitate to contact us if you have any queries about our feedback.

Ngā mihi



Steve Hanrahan

**Advocacy Manager Tourism Industry Aotearoa**