

AIR NEW ZEALAND/SINGAPORE AIRLINES ALLIANCE APPLICATION: DRAFT RECOMMENDATION

Reason for this briefing	To provide you with our draft recommendation on the application by Air New Zealand and Singapore Airlines for authorisation of a strategic alliance.
Action required	Agree to authorise the strategic alliance between Air New Zealand and Singapore Airlines pursuant to section 88 of the Civil Aviation Act 1990, subject to the applicants agreeing to seek reauthorisation after a period of four years.
Deadline	Friday 1 August 2014
Reason for Deadline	To allow Air New Zealand and Singapore Airlines sufficient lead time to advertise and sell tickets on flights commencing on 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]	[REDACTED]	[REDACTED]	[REDACTED]	

MINISTER'S COMMENTS:

Date:	25 July 2014	Briefing Number:	OC02471
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- Withdrawn*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

Executive Summary

1. Air New Zealand and Singapore Airlines are seeking your authorisation, pursuant to section 88 of the Civil Aviation Act, of a strategic Alliance. Under the proposed Alliance, the two airlines would share revenue and jointly set prices and schedules on routes between New Zealand and Singapore. The airlines would also coordinate on other routes involving connecting services through code-sharing¹ and in some cases, price coordination.
2. The Alliance would provide Air New Zealand with access to around 50 destinations beyond Singapore which it could not feasibly serve with its own aircraft, including destinations throughout South-East Asia, India, Europe, the Middle-East, and Africa. For Singapore Airlines, the Alliance appears to be a more marginal proposition, as New Zealand represents a relatively small part of its overall network. However, the Alliance is the only practical way for Singapore Airlines to access smaller regional destinations throughout New Zealand.
3. We are confident that there are no statutory impediments to you authorising the provisions of the Alliance agreements. Therefore you may use your discretion in deciding whether or not to authorise the Alliance.
4. Based on our analysis the Alliance is likely to result in a number of benefits, including:
 - 4.1. A capacity increase of up to 30 percent on the Auckland-Singapore route. This is likely to reduce fares on that route, and creates scope for fares to be reduced on itineraries involving connecting services. [REDACTED]
 - 4.2. A positive long term impact on Air New Zealand's commercial position, recognising that Air New Zealand is a large employer with flow-on benefits throughout the aviation industry and the New Zealand economy.
 - 4.3. Improved connectivity with the rapidly growing India market. [REDACTED]
5. As with any revenue-sharing Alliance, there are also a number of risks and potential detriments to consider. These include the impact that the Alliance may have on current and potential competitors in the relevant markets, and reduced competition in markets where Air New Zealand and Singapore Airlines compete indirectly. [REDACTED]
6. The Alliance may impact on the incentives for the applicants to operate services to Christchurch. We are uncertain whether this impact will be positive or negative, but in our view the risk of the applicants withdrawing services from Christchurch altogether is extremely low. The Applicants have provided you with a letter (attached as Annex III) confirming that they have no intention of reducing their existing level of service to Christchurch.
7. We recommend that you agree to authorise the proposed Alliance, subject to the applicants agreeing to seek reauthorisation after a period of four years. In our view, it is unlikely that any alternative scenario ([REDACTED]) would deliver equivalent benefits to consumers and New Zealand overall within the next four years. A four year term would provide a strong incentive on the applicants to ensure that the stated benefits of the Alliance occur, while providing enough certainty to the

¹ An agreement in which two or more airlines cooperate by marketing and selling tickets on flights operated by the other airline(s). [REDACTED]

applicants to justify the substantial investment that is required when setting up a new international route.

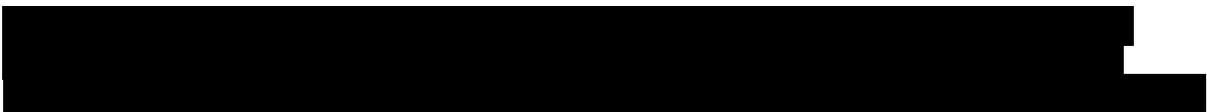
Purpose of this report

8. To provide you with our draft recommendation on the application by Air New Zealand and Singapore Airlines for authorisation of a strategic Alliance.

Background on the proposed Alliance

9. On 27 January 2014, Air New Zealand and Singapore Airlines submitted an application under section 88 of the Civil Aviation Act 1990 seeking your authorisation of a strategic Alliance.
10. Under the proposed Alliance, the two airlines would share revenue and jointly set prices and schedules on routes between New Zealand and Singapore (currently, the Auckland-Singapore and Christchurch-Singapore routes). The airlines also propose to coordinate on other routes involving connecting services (i.e. services to/from points 'beyond' Singapore) through code-sharing³ and in some cases, price coordination.
11. This application is the fourth revenue-sharing alliance we have considered since 2010, and the third involving Air New Zealand⁴. Alliances are becoming increasingly common as a way for airlines to share risk, and gain access to markets that they may be unable to access on their own, in part due to the restrictions imposed in bilateral air services agreements.

Framework for making a decision

12. You are responsible for authorising or declining applications made under section 88 of the Civil Aviation Act. Section 88 sets out a number of statutory pre-conditions which must be met before any application can be authorised. We are confident that the Application does not trigger any of these pre-conditions and there are no statutory impediments to you authorising the provisions of the Alliance agreements. Therefore you may use your discretion in deciding whether or not to authorise the Alliance.
13. The Act does not give any guidance as to what factors you should consider in making your decision, but we consider there is an implied public interest test. Therefore, our advice to you has taken account of:
 - 13.1. Where this proposal sits alongside other code-share and alliance agreements in the New Zealand market.
 - 13.2. Any benefits to consumers and/or New Zealand as a whole that may occur as a result of the Alliance.
 - 13.3. Any detriments or risks that may occur to consumers and/or New Zealand as a whole as a result of the Alliance.
 - 13.4. The counterfactual (the likely scenario in the absence of authorisation).
14. Our detailed analysis on the application is set out in Annex IV. This briefing provides a summary of that analysis.
15. 

³ An agreement in which two or more airlines cooperate by marketing and selling tickets on flights operated by the other airline(s)

⁴ The previous applications were between Air New Zealand and Virgin Australia (authorised in 2010 for three years, and reauthorised in 2013 for five years); Air New Zealand and Cathay Pacific (authorised in 2012 for three years); and Qantas and Emirates (authorised in 2012 for five years).



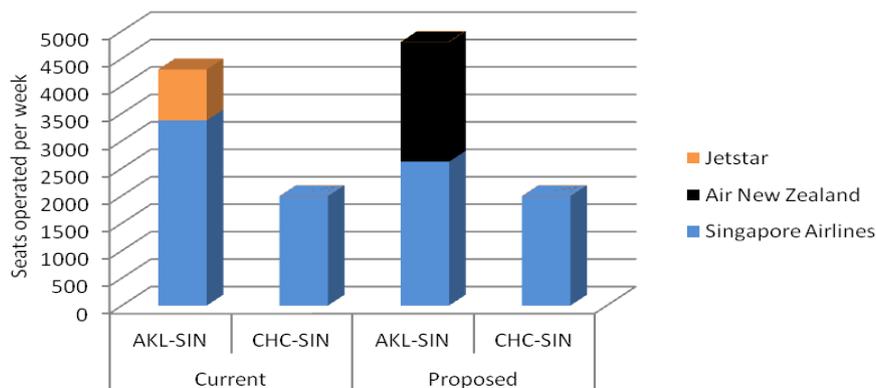
Authorisation from the Competition Commission of Singapore

- 16. The Alliance requires authorisation in both New Zealand and Singapore before it can proceed.
- 17. The Competition Commission of Singapore approved the Alliance on 17 April 2014. The Competition Commission of Singapore did not impose any time limits or ‘conditions’ on its authorisation, but it has reserved the right to review its decision in the event that there is a ‘material change of circumstance’.
- 18. Your decision should be made independently of the Competition Commission of Singapore. The fact that the Alliance has been authorised in Singapore should not be a consideration in your decision, as the Competition Commission of Singapore does not take the interests of New Zealand or New Zealand consumers into account.

Overview of the proposed Alliance

- 19. Air New Zealand does not currently operate to Singapore. Its only service to South-East Asia is a seasonal service to Bali operated twice weekly between April and October, which is almost exclusively targeted at New Zealanders travelling to Bali on holiday. Air New Zealand has previously operated to Singapore but pulled out of the market in 2006 after incurring losses of as much as [REDACTED] per week, in part due to the fact that it had no local partner and limited ability to offer its passengers connecting services to destinations beyond Singapore. Air New Zealand now has local support partners for all of its long-haul international services.
- 20. The proposed Alliance would provide Air New Zealand with a low-risk way of re-entering the Singapore market. Under the Alliance, Air New Zealand would take over an existing five-flight per week service currently operated by Singapore Airlines between Auckland and Singapore. This service would be replaced by a daily service, with a Boeing 777-200 aircraft. Singapore Airlines would retain a daily service of its own on the Auckland-Singapore route, which would be upgraded to a 471-seat Airbus A380 aircraft during the peak summer season. Singapore Airlines would also continue to operate its existing seven times weekly service between Christchurch and Singapore.
- 21. As shown below, the result would be an increase in combined capacity of up to 30 percent between Auckland and Singapore, which would more than compensate for the capacity that has been lost as a result of Jetstar pulling out of the market.

Figure 1: Current and proposed capacity on direct services between New Zealand and Singapore

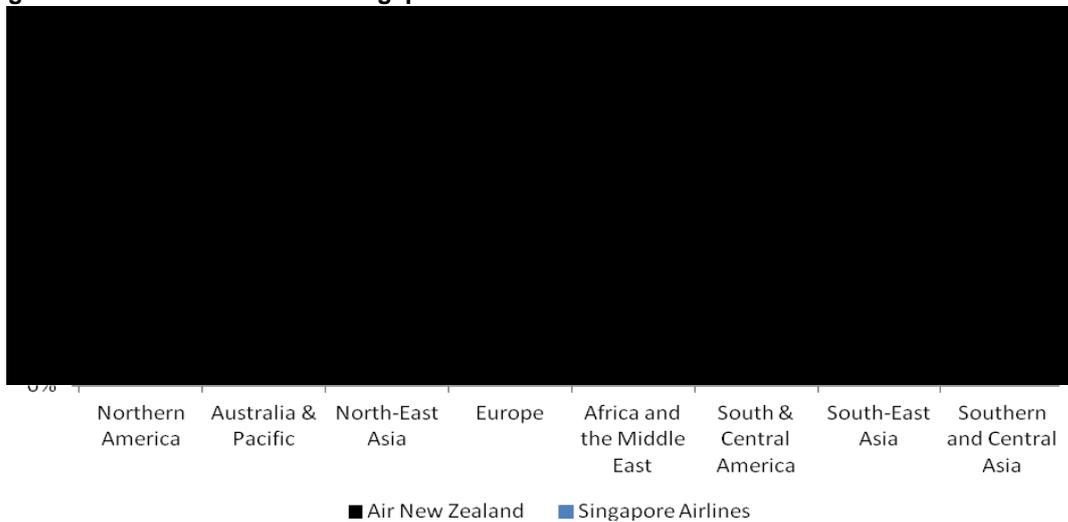


- 22. For Air New Zealand, the key benefit of the Alliance is that it provides access to around 50 destinations beyond Singapore which it could not feasibly serve with its own aircraft. This

includes destinations throughout South-East Asia, India, Europe, the Middle-East, and Africa. North Asia (including China) is not included within the scope of the Alliance as this region is the focus of Air New Zealand's existing Alliance with Cathay Pacific, which you authorised in 2012.

23. For Singapore Airlines, the Alliance appears to be a more marginal proposition as New Zealand represents a relatively small part of its overall network. However, the Alliance is the only practical way for Singapore Airlines to access smaller, regional destinations throughout New Zealand. The Alliance would also strengthen Singapore's status as a global hub, by potentially drawing traffic away from competing airlines.
24. On the face of it, Singapore Airlines is a 'good fit' for Air New Zealand, as it is strongest in the markets where Air New Zealand is weakest. The two airlines do not compete head-to-head on any route, so there would be no reduction in *direct* competition under the Alliance. The two airlines are also both members of the Star Alliance⁵, so there is already a limited level of cooperation between them.

Figure 2: Air New Zealand and Singapore Airlines market share of traffic to/from New Zealand by region



25. However, while the Alliance looks positive from a conceptual point of view, the application has not been straightforward. As with any revenue-sharing alliance, there are a number of competition issues to consider. This application has also raised broader concerns due to the fact that a proportion of the benefits

Potential benefits of the proposed Alliance

Greater connectivity, particularly with India

26. India is a large and growing market and there is a perception that its tourism potential is not being fully realised, in part due to the relatively low availability and high cost of air travel between India and New Zealand. India's middle class is currently estimated at 50 million, or around 5 percent of its population and it is projected to reach 200 million by 2020. By comparison, China currently has a middle class population of around 150 million. In the last 12 months, there were 240,496 Chinese visitor arrivals to New Zealand compared to just 33,904 from India.

⁵ The Star Alliance is one of three global airline groupings (the others being OneWorld and Sky Team). Airlines in these global alliances are required to cooperate with each other in areas such as premium customer handling, but continue to compete with each other.

27. It is unlikely that it will ever be economically viable for Air New Zealand to operate its own services to India due to the long distance and the fragmented nature of the market (there are 53 cities in India with a population greater than 1 million). We accept that the Alliance is the best option for Air New Zealand to gain a share of this market. Singapore Airlines operates more than 100 services per week to 12 destinations in India – more than any other Asian airline.
28. The Alliance would not directly impact on the number of flights available between New Zealand and India. However, it would give Air New Zealand a ‘virtual’ presence in India and a strong incentive to invest its marketing and distribution resources there. It would also give Singapore Airlines the ability to advertise and sell tickets from India to any domestic airport in New Zealand.
29. We think this is a significant benefit, [REDACTED]
30. [REDACTED]
31. [REDACTED]
32. [REDACTED] Air New Zealand currently offers interline services to India via Hong Kong and Japan, but these arrangements only cover five of the cities in India served by Singapore Airlines.
33. The Alliance will also provide Air New Zealand with access to a number of other markets throughout Asia, Europe, Africa and the Middle East. Over time, Air New Zealand intends to place its code on Singapore Airlines flights to more than 50 destinations beyond Singapore. The magnitude of the benefit to New Zealand will be dependent upon how much Air New Zealand invests in marketing these destinations, how well they are currently served, and whether the same benefits could be achieved through other means. However, we accept that the cumulative effect of Air New Zealand gaining ‘online’ access to these markets is significant.

Increased capacity and scope for lower fares

34. The proposed 30 percent increase in capacity on the Auckland-Singapore route is likely to reduce fares in the New Zealand-Singapore market [REDACTED] The huge capacity of the [REDACTED]

⁶ Air India officially joined the Star Alliance on 11 July 2014. [REDACTED]

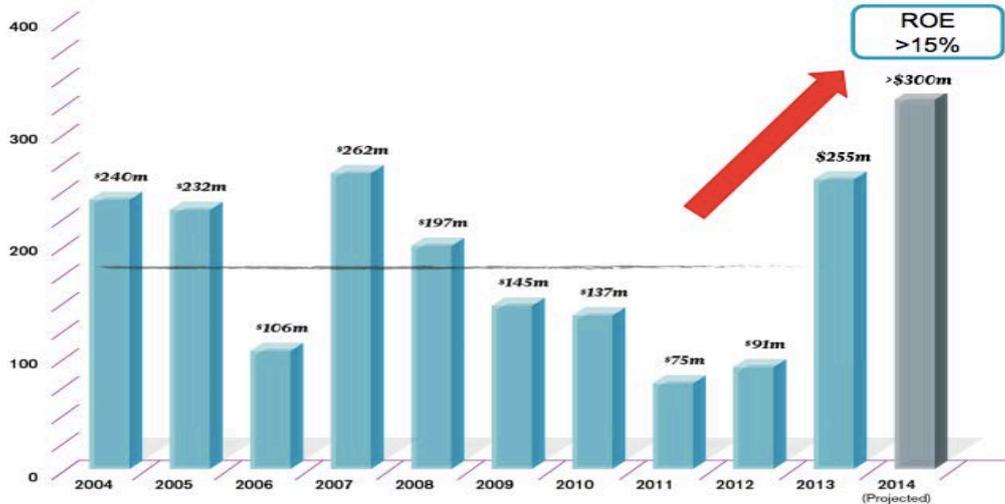
471 seat A380 aircraft (compared to 278 seats on the Boeing 777-300 aircraft Singapore Airlines currently operates) should also increase the number of seats available at the lowest fares.

35. The Alliance will be supported by a Special Prorate Agreement, under which the airlines will sell their own tickets to the other airline at a reduced rate, without imposing their own mark-up. This will create scope for lower fares on connecting services. Whether these fares are passed on to consumers will depend on competition in the relevant markets. In more competitive markets, fares are likely to reduce.

Impact on the long-term viability of Air New Zealand

36. Our analysis does not take into account the effect that the Alliance will have on Air New Zealand’s financial position, or the fact that Air New Zealand is majority owned by the government. However, we do recognise the importance of having a strong national airline. Air New Zealand is the only airline that is ‘required’ to operate with New Zealand at the centre of its network⁸. It is also a major employer of New Zealand-based staff, and it creates flow-on benefits throughout the New Zealand aviation industry and the economy overall.
37. Air New Zealand is currently performing very well. Its return on equity is in excess of 15 percent, which ranks among the highest of any airline in the world. While the Alliance will be of significant value to Air New Zealand, it is also the case that the airline’s underlying commercial position is much stronger than it was when previous alliances have been considered.

Figure 3: Air New Zealand's normalised earnings before taxation, 2004-2014 (source: Air New Zealand)



38. However, Air New Zealand is a small carrier with a small home market, geographically isolated from its major markets. Its long-haul international services in particular are heavily exposed to external shocks, including fluctuations in fuel prices and exchange rates, and political or economic turmoil in the markets it serves. Over the longer term, Air New Zealand remains vulnerable, even compared to most other airlines. An Alliance with a dominant carrier such as Singapore Airlines might help to insulate Air New Zealand from some of the risks it faces.

Other benefits – reciprocal frequent flyer programmes and joint lounge access

39. The Alliance would enable the two airlines share their premium passenger lounges, and to offer reciprocal frequent flier programmes

⁸ Due to restrictions in our air services agreements with other countries, Air New Zealand can only operate routes that either begin or end in New Zealand (with a small number of exceptions).

40. Reciprocal frequent flier schemes are valued by certain passengers and can stimulate tourism, but the benefits are limited to those that are members of the frequent flier programmes of one, but not both airlines. These benefits are also reduced in this case because the airlines already offer some reciprocity under the Star Alliance membership arrangements. Joint lounge access is an even smaller benefit, and there is nothing to prevent the airlines from offering this without an alliance (they already share a lounge at Auckland Airport).

Potential risks and detriments

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

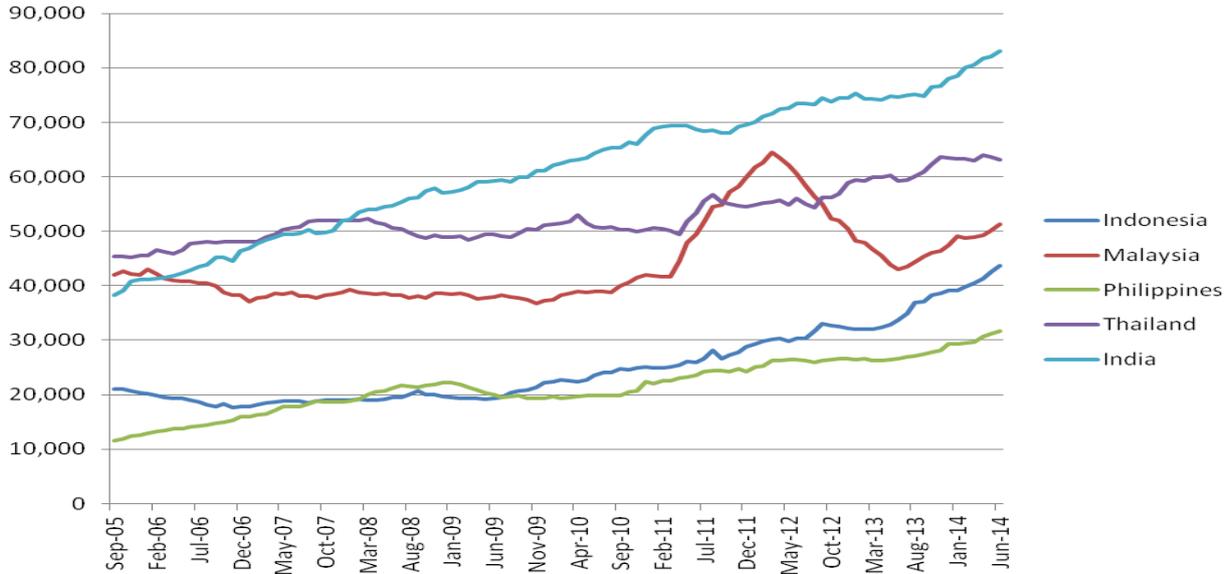
[REDACTED]

[REDACTED]

[REDACTED]



Figure 4: Total passengers travelling between New Zealand and selected markets in South East Asia and India



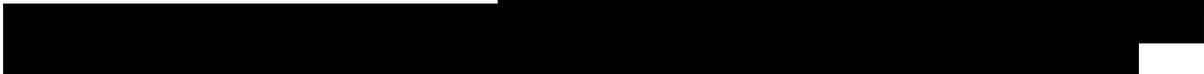
Impact on other airlines

49. The Alliance would strengthen the competitive position of Singapore Airlines and Air New Zealand. As such, it is likely to draw passenger traffic away from competing airlines, particularly Malaysia Airlines and Thai Airways, which offer a similar product to Singapore Airlines.

50. These airlines have operated to New Zealand for many years, and they have managed to sustain intense competition from low-cost carriers operating between South East Asia and New Zealand in recent years (including Jetstar on the Auckland-Singapore route, and Air Asia X on the Kuala Lumpur-Christchurch route).



51. The Alliance may also act as a disincentive for airlines that are not yet operating to New Zealand, but are considering operating services in the future. This could occur either due to the dominant position of the Alliance, or because Air New Zealand would be discouraged from providing the airlines it is (indirectly) competing with in South-East Asia with access to the domestic market in New Zealand.



[REDACTED]

52. The Alliance would almost certainly act as a barrier to entry on direct services between New Zealand and Singapore, as no airline could be expected to compete head-to-head against an Alliance with strong hubs on either end of the route. However, Jetstar's decision to withdraw from the route even before the Alliance is implemented is evidence that the route may not be large enough to support direct competition. We consider it unlikely that any other airline would seek to operate on routes between New Zealand and Singapore in the foreseeable future regardless of whether or not the Alliance is authorised.

Reduced competition in some markets

53. As mentioned previously, there is minimal overlap between Air New Zealand and Singapore Airlines. However, the two airlines do compete vigorously with a number of other airlines in the New Zealand-Europe market.
54. The Alliance would reduce the number of independent airlines operating in the New Zealand-Europe market, [REDACTED] Air New Zealand's fares to Europe appear (based on a sample of website queries) to be considerably lower than fares on Singapore Airlines, so we have some concern that the Alliance may result in an increase in fares to Europe, to the extent that competition in the market will allow it. However, Europe is our most competitive aviation market, with nearly every airline operating to New Zealand offering one or two-stop services to Europe.
55. Annex I of this briefing provides a summary of the likely impact of the Alliance on each of the affected markets.

Impact on services to Christchurch

56. Singapore Airlines currently operates the only long-haul, non-stop service to Christchurch. This service provides an important tourism and business link between the South Island and Asia, and has an important role in supporting the Christchurch rebuild.
57. There is some uncertainty around what the Alliance would mean for this service. Air New Zealand has strong incentives to divert as much traffic as possible through its Auckland hub, leveraging its strong domestic network to pool passengers from various points of origin around New Zealand. Under the Alliance, Singapore Airlines would effectively gain access to Air New Zealand's entire domestic network. In doing so, it may lose its incentives to operate to Christchurch (which is currently a way for it to differentiate itself from Air New Zealand and other airlines). There is a risk that the incentives that Singapore Airlines has to maintain or expand its Christchurch service would effectively disappear.
58. An alternative view is that the Alliance would give Air New Zealand an incentive to invest its own resources in support of the Christchurch service. The Christchurch service would be a more viable proposition if both airlines had a stake in its success.
59. Our view is that the risk of the applicants pulling out is extremely low, largely due to the fact that this would have a significant impact on any subsequent decision to reauthorize the Alliance in the future (assuming authorisation was subject to a time limit). There is a small risk that the amount of capacity growth into Christchurch may be less than what would otherwise occur in the absence of the Alliance.
60. The applicants have claimed that they will maintain a daily service on the Christchurch route, and have provided a letter outlining their commitment to the Christchurch market (attached as Annex III to this briefing). We think this should provide sufficient assurance that the Alliance will not have a detrimental impact on services to Christchurch. [REDACTED]

[REDACTED] However, the airline industry is notoriously dynamic and the operating environment may change quickly (for example due to natural disasters or other external shocks, or the actions of competitors).
[REDACTED]

Overlap with Air New Zealand's alliance with Cathay Pacific

61. In November 2012 you authorised an Alliance between Air New Zealand and Cathay Pacific for a period of three years. Part of the justification for this Alliance was that it would allow Air New Zealand to maintain a presence in Asia (South of Shanghai) from which to leverage connections to a wider region including mainland China, South-East Asia, and India.

62. [REDACTED] The proposed Alliance with Singapore Airlines would clearly take precedence over Hong Kong as a transit point for Air New Zealand passengers travelling to South-East Asia and India.

63. The Alliance is therefore likely to limit the scope of cooperation between Air New Zealand and Cathay Pacific, [REDACTED]

[REDACTED]

[REDACTED]

64. [REDACTED]

65. We do not see this as a significant factor in our analysis of the current Alliance proposal [REDACTED]

Counterfactual

66. The 'counterfactual' (or the likely scenario if you declined authorisation) is an important part of our analysis as it effectively forms the baseline against which the benefits and risks of the Alliance should be assessed.

67. Air New Zealand has informed us that if the Alliance is declined, it would (in the following order of priority):

[REDACTED]

¹⁰ In this case, 5th freedom traffic rights refer to the ability for Air New Zealand to operate a service to China or Taiwan via Hong Kong and pick up new passengers in Hong Kong.

[REDACTED]

- 68. We have not attempted to predict which of these or other options are most likely to occur if the Alliance is declined. However, Air New Zealand would clearly need to deploy the aircraft it has assigned to the Singapore route elsewhere. Therefore it is likely that there would be some benefit to consumers under the counterfactual.
- 69. We accept that no plausible scenario under the counterfactual is likely to offer the same benefits to Air New Zealand. We cannot rule out the possibility that the benefits to consumers and New Zealand overall may over time be similar to or greater than under the proposed Alliance with Singapore Airlines, [REDACTED]. However, it is unlikely that any alternative scenario [REDACTED] would deliver equivalent benefits to consumers and New Zealand overall within the next four years.

Stakeholder views

- 70. We invited comment from interested parties on the proposed Alliance. We received submissions from Auckland Airport, Christchurch Airport (with supporting submissions from a number of South Island tourism groups), Tourism New Zealand, and the Tourism Industry Association of New Zealand, which were all broadly supportive of the proposal.

Risks

Key risks associated with authorising the Alliance

- 71. [REDACTED]

- [REDACTED] We believe this risk could be mitigated to some extent by a time-limited authorisation.

Key risks associated with declining authorisation of the Alliance

- 73. When the Alliance was announced, it was viewed very positively by media. The widely held assumption is that it will be approved. [REDACTED]

- 74. [REDACTED]

- [REDACTED]

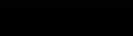
76.



Recommendation

77. We recommend that you authorise the proposed Alliance, subject to the applicants agreeing to seek reauthorisation after a period of four years. In making this recommendation we are placing significant weight on:

- The additional capacity that it would provide on the Auckland-Singapore route 

- The long-term impact on Air New Zealand's commercial position, recognising that Air New Zealand is a large employer with flow-on benefits throughout the aviation industry and the New Zealand economy.
- Improved connectivity, particularly with the rapidly growing India market 


Term of authorisation

78. We have considered other options for the term of authorisation. A longer term would provide greater certainty for the applicants, which could be justified given the substantial investment they will need to make in order to implement the Alliance (in Air New Zealand's case, this includes employing ground staff in Singapore). However, a longer term would also prolong the potential consequences if the Alliance did not deliver the benefits that have been claimed, or if it had a negative impact on other airlines (both existing airlines and airlines which may be interested in operating to New Zealand in the future). On balance, we think a four year time limit would strike an appropriate balance between these considerations.

Next steps

79. You have no legislative authority to impose a time limit on an application that you authorise. However, you may decline to authorise any application that does not include an appropriate time limit. Should you agree with our recommendation, we would discuss the four year time limit with Air New Zealand and suggest that they consider conferring with Singapore Airlines and amending the application accordingly. The Applicants are likely to strongly favour a five year authorisation.

80. If the Applicants agree to seek reauthorisation after four years, they will need to include this in an amendment or side letter to the application. We will report back to you with a copy of the amended application and a final briefing to sign. The briefing would be the instrument through which your decision is made. We will also provide your office with a draft media statement to consider, announcing your decision.

81. If the Applicants do not agree to a four year term, we will report back to you with further options.

Recommendations

82. The recommendations are that you:

- | | | |
|-----|---|--------|
| (a) | Agree to authorise the Strategic Alliance between Air New Zealand and Singapore Airlines pursuant to section 88 of the Civil Aviation Act 1990, subject to the applicants agreeing to seek reauthorisation after a period of four years from the date of commencement. | Yes/No |
| (b) | Note that, should you agree to the above recommendation, we will discuss the issue of a time-limited authorisation with the applicants and report back to you with a final recommendation. | |

[REDACTED]

[REDACTED]

MINISTER'S SIGNATURE:

DATE:

Annex I: Summary of likely impacts in relevant geographical markets

Market	Comment	Impact
Singapore	The increased capacity on the Auckland-Singapore route will likely lead to lower average fares. The Alliance will act as a barrier to direct competition on non-stop services between New Zealand and Singapore, but the prospects of competition are low even without the Alliance.	Positive
Malaysia & Thailand	The Alliance may draw traffic away from Malaysia Airlines and Thai Airways. However, consumers are likely to benefit from the additional capacity into the region. [REDACTED]	Uncertain (may be positive or negative)
Indonesia	In the shorter term, the Alliance would improve access to Indonesia on indirect services. [REDACTED]	Possible short term benefits but long term detriments
Philippines	Options for one-stop travel to the Philippines would be enhanced under the Alliance. The Alliance may reduce Air New Zealand's incentives to develop a non-stop service to the Philippines, [REDACTED]	Uncertain (may be positive or negative)
Viet Nam	The Alliance would enhance one-stop travel between New Zealand and Vietnam as a result of improved marketing and distribution channels, with potential for lower fares. The exclusivity provisions are unlikely to have a big effect as Vietnam is predominantly an outbound leisure market which could potentially be served by Air New Zealand without a local support partner.	Positive
Other South East Asian markets	These markets are not large enough to support direct services. One-stop travel to these markets will be enhanced under the Alliance, assuming the necessary traffic rights are in place through air services agreements (we do not yet have agreements with Myanmar, Laos, or Timor-Leste).	Positive [REDACTED]
India	The Alliance will strengthen Air New Zealand's position in the India market. It is likely to stimulate travel between the two countries as a result of improved marketing and distribution channels, and potential for lower fares. [REDACTED]	Positive [REDACTED]
Other South Asian markets	These markets are not large enough to support direct services. One-stop travel to these markets will be enhanced under the Alliance, assuming the necessary traffic rights are in place through air services agreements (we do not yet have agreements with the Maldives, Bangladesh, or Nepal).	Positive [REDACTED]
Europe	The European market is one of the few geographical markets in which Air New Zealand and Singapore Airlines vigorously compete. The Alliance will provide Air New Zealand with access to additional points in Europe via Singapore, but it will also reduce competition in the European market, [REDACTED] However, the European market will remain relatively competitive.	Mixed. Positive aspects may be outweighed by reduced competition
South Africa	Singapore is an indirect routing for passengers travelling to/from South Africa. We are concerned that [REDACTED]	Uncertain (may be positive or negative)
Other markets in Africa and the Middle East	These small markets are unlikely to be significantly affected by the Alliance. The Alliance may improve connectivity to Saudi Arabia in particular, which is covered within the scope of the agreement.	Likely to be positive but not significant

Annex II: [REDACTED]

Annex III: Letters from Air New Zealand and Singapore Airlines regarding services to

