

# International air transport policy of New Zealand

## Introduction

Efficient international air services are vitally important to New Zealand. By providing links with the rest of the world, they facilitate business and leisure travel, as well as trade, investment and technology transfer. Accordingly, and in line with the Government's broader economic and trade policy objectives, New Zealand seeks to conclude with other countries the most liberal and flexible air services arrangements possible, providing for freer access for international airlines and thereby for increased competition among them.

New Zealand's external aviation policy was last promulgated in 1985. Since then there have been major developments in the airline industry. These include the globalisation of the industry, evident in the increasing importance of commercial alliances and third-country code-sharing arrangements. Changes have also taken place in the policy environment, with the advent of open skies air services arrangements, and comprehensive free trade agreements that have potentially significant implications for aviation policy. As a result of these changes a re-statement of New Zealand's international air transport policy is warranted at this time.

## Background

Despite the numerous changes in international air transport in the last fifty years, its basic ground rules established in the Chicago Convention of 1944 have remained intact. The principle of national sovereignty over each country's airspace is still firmly entrenched and, except in a few common market situations, international aviation relations continue to be regulated by a system of bilateral government-to-government agreements for the exchange of traffic rights, or market access, based on the principle of reciprocity. This bilateral framework is unlikely to change in the foreseeable future.

Since 1985 New Zealand has pursued a policy of maximising the benefit to the economy from international air services, through reducing barriers to trade in air services on a reciprocal basis. New Zealand now has 32 Air Service Agreements, up from 12 in 1985, with 29 airlines using the opportunities created by those Agreements. Total visitor arrivals have increased by 150% while the number of New Zealanders travelling overseas has increased by 170%. Alongside these benefits, New Zealand now has a very competitive, well-reputed, and profitable international airline industry.

For many foreign airlines, the characteristics of the New Zealand market are not as attractive as those of countries closer to their base and which have greater populations. Consequently, the New Zealand airline industry has played a major part in promoting New Zealand, consistently accounting for about 45% of the international passenger traffic to and from this country since 1985. However, in the interests of improved service and efficiency, the Government has promoted an open international air transport policy environment to facilitate competition from foreign airlines and potential New Zealand controlled airline ventures.

An increased commercial emphasis within the airline industry, driven by a trend around the world to privatisation of airlines, has led to increased globalisation of the industry. Code-sharing arrangements and more comprehensive alliances have in turn impacted on the nature and extent of airline operations as airlines pursue strategies to improve competitiveness and profitability.

### **Policy Objectives**

The overall and determining objective of New Zealand's international air transport policy is to maximise economic benefits to New Zealand, including trade and tourism, consistent with foreign policy and strategic considerations. New Zealand therefore seeks to conclude with other countries the most liberal and flexible air services arrangements possible, as a means to securing enhanced quantity, quality and breadth in our international civil aviation links.

International air transport policy has a key role to play in supporting the Government's broader strategy of strengthening external linkages, strong economic growth, and encouraging enterprise and innovation, leading to an open, dynamic and internationally integrated economy.

We believe that the best way to achieve our objectives is to encourage bilateral partners towards mutual liberalisation of air services arrangements, with the aim of facilitating access to existing and potential air markets of interest to New Zealand. Such an environment maximises opportunities for market-place competition. This is more conducive to achieving a mix of prices and services that can give New Zealand consumers and business a better deal.

The Government will, in the interests of consumers and to maintain a competitive industry, continue to ensure that adequate safeguards are in place to counter anti-competitive or predatory behaviour by airlines.

The Government believes that while it is in the country's best interests to have a well-performed international airline headquartered in New Zealand, the interests of New Zealand airlines should not be permitted to override the country's broader interests.

## **Implementation of Policy**

In implementing our international air transport policy, tourism, trade, and aviation interests along with foreign policy will continue to be taken into account.

Pursuit of the liberalisation of international air transport services is an integral part of, and consistent with, the Government's overall trade policy strategy whereby it seeks to achieve the best outcomes for New Zealand through bilateral, regional and multilateral tracks. At present the bilateral and regional tracks offer the best opportunities to secure the Government's objectives in international air transport.

Increased access for foreign airlines to the New Zealand market will continue to be balanced with a fair opportunity for New Zealand airlines to compete.

The Government clarified in the context of the 1997 Budget that it would pursue open skies agreements as a matter of priority, with the focus being particularly on APEC economies. We will continue to pursue opportunities to reduce barriers to trade in air services by seeking open skies agreements, to complement those negotiated already with the United States of America, Singapore, Malaysia, and the United Arab Emirates.

Our key objectives in negotiating such agreements are to achieve comprehensive, reciprocal liberalisation in terms of:

- no route restrictions, including by way of code-sharing, rights of establishment in other countries and cabotage;
- unlimited capacity, through no constraints on the number of flights or types of aircraft;
- open investment in airlines; and
- the ability for airlines to charge whatever prices they wish without having to file such prices for notification or approval with any authorities.

Also of significance are the objectives of securing multiple designation of airlines, and of ensuring there are as few restrictions as possible on non-scheduled services.

The achievement of an internal Single Aviation Market with Australia has been an important accomplishment in recent years, complementing the comprehensive liberalisation of trans-Tasman trade in goods and services accomplished under the Closer Economic Relations Trade Agreement. However, dual-destination tourism and airline strategies point to the growing integration of the Australian and New Zealand markets. The development of an environment where our airlines have a fair opportunity to compete remains critical to the competitiveness of the industry, and the best deal for consumers. Consequently, achieving a greater exchange of beyond rights remains a key objective for the Government.

The development of robust aviation relationships with countries in Europe will continue to be an important factor in our international air transport links. The growth in visitor movements from these countries must be matched by increasing opportunities for airlines to serve the markets, with as few restrictions on their ability to do so as is possible.

Within the Pacific, the New Zealand Government is very much aware of the particular air transport needs of the Forum Island Countries, and will maintain flexible and positive attitude in the negotiation and implementation of air services arrangements with them.

On the regional track, APEC's role in the liberalisation of air services arrangements is potentially very significant. APEC Leaders, in the 1994 Bogor Declaration, made a commitment to achieving free and open trade and investment for industrialised economies by 2010, and for developing economies by 2020. Air services are an important part of trade in services and, in New Zealand's view, are included in this commitment. Consequently, we will continue to encourage our APEC bilateral partners towards the early application of APEC's Bogor principles in air services agreements. An important aspect in this regard is to make provision, ahead of the APEC 2010 timeframe, for open investment in airlines.

In the meantime, almost all of New Zealand's bilateral agreements provide for a State to withhold operating authorisation from an airline designated by the other State if it is not satisfied that the airline is substantially owned and effectively controlled by nationals of the designating State. Until such time as the Government can be confident that an airline it designates would not be denied access to traffic rights with other bilateral partners, designated New Zealand international airlines will continue to be required to be substantially owned and effectively controlled by New Zealand nationals.

We will continue also to pursue liberalisation through other multilateral avenues, in particular through the International Civil Aviation Organization, the World Trade Organisation, and the OECD. The mandated review of the General Agreement on Trade in Services (GATS) scheduled to begin in 2000 will be a good opportunity for New Zealand to advocate a broadening of GATS' application to air services.

## **Conclusion**

New Zealand's position as a successful trading nation is reliant on ensuring that service sectors such as international aviation have the opportunity to offer the most efficient service possible. Pursuit of the liberalisation of international air services will continue to be an integral part of Government policy, whereby it seeks to maximise the benefits to New Zealanders of international air services. The Government will continue to work towards providing a framework and environment conducive to achieving this goal.

**Hon. Maurice Williamson**  
**MINISTER OF TRANSPORT**  
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