



**Commercial: Sensitive
Personal to:**

CAB Min (02) 31/23

Cabinet

Minute of Decision

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Minister of Finance
Associate Minister of Finance
(Hon Trevor Mallard)
Minister of Transport

Copies to:

Prime Minister
Deputy Prime Minister
Hon Jim Anderton
Minister of Tourism
Minister of Commerce
Secretary, POL

Additional Item: Air New Zealand and Qantas Commercial Alliance: Proposed Process

On 18 November 2002 Cabinet:

- 1 **noted** that Qantas and Air New Zealand have revealed to the market that the two airlines are in discussions about a strategic partnership that includes Qantas taking an equity stake in Air New Zealand;
- 2 **noted** that agreement has been reached with Air New Zealand for the government to make an in principle decision on the ownership case, and a conditional decision from the Kiwi Shareholder, within five weeks of the proposal being publicly announced;
- 3 **noted** that a favourable Kiwi Shareholder decision will mean Qantas will be advised that approval has been given for the entire shareholding sought by Qantas, subject to:
 - 3.1 there being no material changes to the commercial proposal, or significant new information being revealed, during the subsequent competition and other regulatory processes;
 - 3.2 approval of the transaction by Air New Zealand shareholders, with respect to any portion of shares requiring shareholder approval;

- 4 **agreed** that the following process and timeline will be used for the Government's consideration of any proposal by Qantas to purchase a stake in Air New Zealand:

| Date | Event |
|--|---|
| 20 November 2002 | Cabinet Policy Committee, with Power to Act, agrees on the national interest criteria |
| 22 November 2002 | <ul style="list-style-type: none"> - Air New Zealand and Qantas announce proposals - Application made to Kiwi Shareholder |
| 22 November to early December 2002 | Separate groups of officials undertake ownership and national interest analysis |
| 18 December 2002 | Cabinet Business Committee, with Power to Act, makes an in-principle decision on the ownership case, and a conditional Kiwi Shareholder decision |
| May-June 2003, subject to favourable in-principle decisions by Cabinet | Competition authorities advise decisions |
| Following competition and other regulatory approvals, if granted | Cabinet confirms ownership decision (subject to shareholders' approval) and reconfirms the Kiwi Shareholder's decision |
| Following Cabinet approval if granted | Air New Zealand shareholders' meeting |

- 5 **authorised** the Cabinet Policy Committee on 20 November 2002 to have Power to Act in considering the national interest criteria that should be applied as part of the Kiwi Shareholder's evaluation of the proposal;
- 6 **noted** that the intention of the Kiwi Shareholder evaluation will be to reveal all relevant information on the national interest criteria selected by Ministers, and allow the Kiwi Shareholder to make an informed qualitative judgement based on this information;
- 7 **noted** that a comprehensive, quantitative analysis of other possible criteria, such as the effect of a commercial alliance on inbound and outbound passenger flows, is more appropriately undertaken through the Commerce Commission's process than the Kiwi Shareholder evaluation;
- 8 **noted** that the Minister of Finance, Associate Minister of Finance (Hon Trevor Mallard) and Minister of Transport will consider further whether it is necessary to maintain the formal separation of regulatory and ownership advice submitted to Cabinet, or whether it would be preferable to synthesise both perspectives into a single piece of advice for Cabinet;
- 9 **noted** that Ministers are likely to have access to commercially sensitive information that could influence market participants;

- 10 **invited** the Minister of Finance, the Associate Minister of Finance (Hon Trevor Mallard), the Minister of Transport and the Minister of Tourism to form a subgroup of Ministers to develop a communications strategy;
- 11 **agreed** that all communication on the Qantas/Air New Zealand negotiations be sanctioned by the subgroup of Ministers referred to in paragraph 10 above.

Secretary of the Cabinet