

Hon Dr Michael Cullen **Minister of Finance**
Hon Trevor Mallard **Associate Finance**
Hon Paul Swain **Minister of Transport**



25 November 2002

Media Statement

Government response to Air-NZ Qantas proposal

The government today received a proposal for Air New Zealand to enter a strategic alliance with Qantas under which Qantas would take a minority stake in Air New Zealand.

The Ministers leading the government's response are: Finance Minister Michael Cullen as holder of the Crown's 82 percent shareholding in Air New Zealand; Transport Minister Paul Swain as holder of the Kiwi Share; and Associate Finance Minister Trevor Mallard, who has been delegated authority for regulatory issues by Dr Cullen.

"The government intends to maintain majority ownership and control of Air New Zealand for the foreseeable future. The proposal is consistent with that intention. However there are a number of other factors which need to be considered," the Ministers said.

The government will assess the proposal both from a principal shareholder and from a Kiwi Shareholder perspective.

As principal shareholder it will have to be satisfied that the proposal is in the best commercial interests of the company going forward. As Kiwi Shareholder, it will have to assess whether the proposal meets the national interest considerations agreed by the Cabinet.

These include:

- maintenance of effective control of Air New Zealand by New Zealand nationals
- continuation of Air New Zealand's ability to exercise New Zealand's existing and future air rights
- preservation of the unique New Zealand identity of Air New Zealand
- provision of effective channels for international tourism and travel
- provision of a durable domestic air services network, and
- preservation of New Zealand based employment.

The two companies will be expected to provide any information required to assist this evaluation.

The government has undertaken to come back to Air New Zealand on 18 December with conditional decisions.

The airlines will apply to the Commerce Commission in New Zealand and to the Australian Competition and Consumer Commission across the Tasman.

Consideration by these bodies is expected to take some months.

“We have made it clear that the proposal will have to satisfy all the normal regulatory and competition criteria. There is no way that we will intervene legislatively to remove or even to lower any of those hurdles.

“Only after this process has been completed will the government be in a position to make a final decision.

“We ask the media meanwhile to be aware that until then, our legal advice is that we should avoid publicly commenting on the detail of the proposal or what we think of it.

“Because the Crown has an ownership interest in Air New Zealand, we are covered by the insider trading laws and must avoid any public statements which might be construed as advising or encouraging the purchase or sale of Air New Zealand shares,” the Ministers said.

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Documents attached:

Timeline.

Cabinet minute on the Proposed Process.

Cabinet Policy Committee Minute on the National Interest Considerations.

Treasury Report on the Roles of Ministers.

Crown Legal Advice on What Ministers Can and Cannot Say.

