



Commercial: Sensitive

Personal To: _____

Cabinet Policy Committee

POL Min (02) 20/7

Minute of Decision

Copy No:

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Air New Zealand Government Decision-making: National Interest Considerations and Information

On 20 November 2002 the Cabinet Policy Committee, having been authorised by Cabinet with Power to Act [CAB Min (02) 31/23]:

- 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 should a proposal by the airlines be received within the next week the Government will make an in-principle decision on the ownership case, and a conditional Kiwi Shareholder decision, in December 2002 [CAB Min (02) 31/23];
- 3 **noted** that the Kiwi share is a device for maintaining government control of aspects of the operation of a publicly listed company, sufficient to ensure that wider public interests are able to be protected;
- 4 **noted** that a favourable Government decision in December 2002 will mean Qantas will be advised that Kiwi Shareholder approval has been given for the entire shareholding sought by Qantas, subject to:
 - 4.1 there being no material changes to the commercial proposal, or significant new information being revealed, during the subsequent competition and other regulatory processes;
 - 4.2 approval of the transaction by Air New Zealand Shareholders, with respect to any portion of shares requiring Shareholder approval;
- 5 **noted** that all competition issues will be addressed by the Commerce Commission and Australian Competition and Consumer Commission;
- 6 **agreed** that the following considerations should be used to assist the Government's national interest evaluation:
 - 6.1 maintenance of effective control of Air New Zealand by New Zealand nationals;
 - 6.2 continuation of Air New Zealand's ability to exercise New Zealand's existing and future air rights;

- 6.3 preservation of the unique New Zealand identity of Air New Zealand;
 - 6.4 provision of effective channels for international tourism and travel;
 - 6.5 provision of a durable domestic air services network; and
 - 6.6 preservation of New Zealand based employment;
- 7 **noted** that the commercial proposal may raise other issues of relevance to the national interest evaluation which are not covered in paragraph 6 above;
- 8 **noted** that in light of the considerations in paragraph 6 above, the information to be sought from the airlines, without prejudice to further information that may be needed, is:
- 8.1 any proposed amendments to the Air New Zealand Constitution;
 - 8.2 information on any proposed governance and ownership changes;
 - 8.3 expectations of branding, marketing and promotion of Air New Zealand;
 - 8.4 expectations of destination marketing of New Zealand;
 - 8.5 any changes to the nature, distribution and quantum of Air New Zealand's activities globally;
 - 8.6 international routes, frequencies, and schedules;
 - 8.7 alliance implications, and expected costs and benefits, including changes to expected passenger volumes, and seat capacities;
 - 8.8 Air New Zealand's role and influence in alliance and code sharing arrangements;
 - 8.9 international competition processes including US antitrust timelines;
 - 8.10 frequent flyer programmes' status and data;
 - 8.11 structuring of holiday packages;
 - 8.12 domestic routes, frequencies, and scheduling;
 - 8.13 domestic partnership and international inter-line arrangements;
 - 8.14 any changes to the location and skill mix of direct and indirect employment in New Zealand;
- 9 **noted** that to ensure clarity and consistency of communications and information flows to and from the airlines, a single contact point (Treasury) within the public sector on the national interest evaluation will be established;
- 10 **directed** the Treasury to inform Qantas and Air New Zealand of these considerations and request information from the two airlines, as appropriate, to assist the Government to make an informed decision; and

- 11 **noted** that both the quality and timeliness of the information provided by the airlines will have a significant influence on whether the Government will be in a position make an informed decision in December 2002.

Sarah Egan
Secretary

Reference: POL (02) 192

Present:

Rt Hon Helen Clark (Chair)
Hon Dr Michael Cullen
Hon Jim Anderton
Hon Phil Goff
Hon Annette King
Hon Trevor Mallard
Hon Pete Hodgson
Hon Parekura Horomia (part of item)
Hon Mark Burton
Hon Paul Swain
Hon John Tamihere

Officials present from:

Department of the Prime Minister and Cabinet
Treasury

Copies to:

Cabinet Policy Committee
Chief Executive, DPMC
Secretary to the Treasury
Solicitor-General
Minister of Tourism
 General Manager, Ministry of Tourism
Minister of Transport
 Secretary for Transport