

## CNT Qantas Negotiations – Thursday 9 August

TIMETABLE	TOPICS		
9.00–9.30	1.	Introduction & Discuss Arrangements for Day	
9.30–11.00	2.	Presentation	
Break for 30 mins			
11.30–1.30	3.	CNT Question/Clarification of Qantas Presentation	
	(a)	Time line	
	(b)	National Interest	SF
Break for 15 mins			
1.45–3.30	(c)	Third Party Approvals	RCI
Break for 15 mins			
3.45–4.30	(d)	Commercial Arrangements	MB/RC
		- SIA	
		- BIL	
4.30–5.00	(e)	Governance	RC/MB
Break for 15 mins			
5.15–6.00	4.	Wrap Up	

### Questions for Qantas

#### National Interest Package

1. Air New Zealand's strategic plan currently calls for the retention of most operating functions, including MRO and all back office functions, in New Zealand. What verifiable and enforceable activities would you undertake to protect the integrity and timetable of this plan?
2. One of the overriding concerns that the government has with your proposal is its potential effect on the level and rate of growth of tourism receipts in New Zealand,

especially with respect to dual destination tourists. You have committed to spend nearly NZ\$ million in destination marketing for New Zealand for the next year, mostly in the U.K. market. We estimate that you spend more than AU\$ \$ million in destination marketing for Australia annually. What passenger flow program will you put into place to ensure that the existing level of NZ tourism receipts does not shift to Australia, and what are you prepared to do to bring your destination marketing contribution to New Zealand into closer parity with your contribution to Australia?

3. Currently Air New Zealand enjoys substantial traffic and revenue benefits from its participation in the STAR Alliance, with a significant program for improving its alliance position even further. Your proposal would, understandably, force them to give up those benefits. How will Air New Zealand achieve, tangibly, greater market access opportunities, traffic feed and profitability from the *oneworld* Alliance than it can from the STAR Alliance? In what manner are you able to ensure that a significant level of benefits from *oneworld* will flow to Air New Zealand?
4. How do you propose that the New Zealand Government prove to third party governments that Air New Zealand is majority owned and effectively controlled by New Zealand citizens when you would own 25% and an Australian trust would own 30%, effectively putting 55% ownership in the hands of Australian citizens?
5. How can you give us tangible and enforceable assurance that you will not shift traffic on existing direct routes between New Zealand and foreign gateways to indirect routes over Australia? What commitments can you make, for example, about Air New Zealand's LA-Sydney route? How should such commitments be enforced?
6. What is your back-up plan for infusing competition in the trans-Tasman should Ansett not introduce competitive service? How should you guarantee the availability of that plan?

## THIRD PARTY APPROVALS

### Foreign investment – New Zealand

Have you requested consent from Overseas Investment Commission –

- > for purchase by Q of SIA shares
- > for issue of units in unit trust;
- > for purchase by unit trust of BIL shares.

[Query: Do we know from OIC whether Q has approached them?]

### Foreign investment – Australia

Does your proposal, or parts of it (e.g. SIA to acquire Ansett), require approval of the Australian Treasurer under the Foreign Acquisitions and Takeovers Act? If so –

- > have you approached the FIRB or the Treasurer?
- > what views have been expressed by FIRB or Treasurer?

How long will it take to get the Treasurer's approval, assuming you are successful?

### Competition issues – New Zealand

Have you had any discussions with the Commerce Commission, and what have they said?

How do you intend to comply with the Commerce Act, in relation to –

- > New Zealand domestic market
- > Trans Tasman market
- > other international travel markets for New Zealanders?

Do you intend to seek an authorisation from the Commerce Commission? If so, what will be your arguments and what are their strengths and weaknesses.

How long do you think it will take to get an authorisation from the Commerce Commission, assuming you are successful?

### **Competition issues – Australia**

Have you had any discussions with the ACCC, and what have they said?

How do you intend to comply with the Trade Practices Act, in relation to –

- Australian domestic market
- Trans Tasman market
- other international travel markets for Australians?

Do you intend to seek an authorisation from the ACCC? If so, what will be your arguments and what are their strengths and weaknesses?

How long do you think it will take to get an authorisation from the ACCC, assuming you are successful?

### **Commercial Arrangements**

1. Acquisition of SIA's Air New Zealand shareholding.
  - ▶ Current status of discussions/negotiations.
    - Evidence/Comfort (HOAs. S&Ps etc).
  - ▶ Proposed next steps.
    - What is the timetable?
    - What assistance from third parties is required?
  - ▶ What are the risks and how will they be managed?

[Follow on questions relate to whether New Zealand Government is likely to be convinced Qantas can achieve a viable deal].

## 2. Sale of Ansett to SIA.

- ▶ Current status of discussions/negotiations. Evidence/comfort (MoU, HOA, letters etc).
- ▶ Next steps and timetable.
- ▶ Is Qantas seeking assistance from third parties?
- ▶ What are the risks and how can they be managed (including failure to agree, shareholder approval for major transaction, price of Ansett)?

## 3. Competition Issues.

- ▶ Will SIA/Ansett play any role in TransTasman and New Zealand domestic competition?
- ▶ How will New Zealand competition authorities/Government be satisfied around these arrangements?

## 4. BIL Shareholding.

- ▶ Intentions with respect to BIL shareholding?
- ▶ Status of discussions/negotiations?
- ▶ What are the risks and how will they be managed?

## Governance

- ▶ What size does Qantas propose for the Board?
- ▶ How and by whom will directors be appointed?
- ▶ What will be the composition of the Board by citizenship and residence?
- ▶ What will be the composition of capabilities?
- ▶ How does Qantas assess the performance of the Board to date and how will weaknesses be addressed (what was Qantas's previous experience as shareholder)?