

CAMERON & COMPANY
Investment Bankers

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Paul Dougherty

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Dr Jim Farmer
Acting Chairman
Air New Zealand

Dear Jim

The purpose of this note is to confirm the discussion between John Wilson of the New Zealand Treasury and yourself on Friday 3 August, about the process the Government will follow to make its decisions about the future ownership of Air New Zealand.

Ministers have appointed me to manage this process and I am to report directly to Dr Cullen. At this stage we are progressing discussions with Qantas and Singapore Airlines in parallel. We plan to meet both airlines separately in the coming week.

As discussed with John, I think there are a number of issues that the Government should be pursuing with the two airlines directly, but I do want to have an open line of communication with the independent directors. I would welcome a discussion with you, to ensure that we have a common understanding of the process and what needs to be done. I believe it is particularly important that we get your views about timelines and critical dates. As the two airlines develop the details of their proposals there may well be other issues on which it is appropriate to seek the views of the independent directors.

In our discussions with Singapore Airlines and Qantas we will be interested in the following:

What would New Zealand gain from either airline becoming the cornerstone shareholder in Air New Zealand, along the lines they each propose? Under that general topic we would expect to cover the following issues:

- Employment in New Zealand.
- Promotion of New Zealand tourism.
- Protection of Air New Zealand's access to New Zealand's traffic rights.
- Strengthening of Air New Zealand's position within the international aviation industry by securing partner and alliance traffic feeds for Air New Zealand.
- Protection and future enhancement of Air New Zealand's existing route structure.
- Fleet replacement and enhancement.
- Competition, in New Zealand and on the Trans-Tasman routes in particular.

Under each of these headings we will be looking for concrete and verifiable commitments, rather than general statements of intent.

Secondly we will want to get a clear understanding from each of the international airlines about how their proposal would be progressed. This should cover timelines as well as agreements and approvals needed from 3rd parties, both commercial and government.

We also propose to discuss with each airline their expectation regarding the future role of Brierley Investments.

Yours sincerely
CAMERON & COMPANY LIMITED

A handwritten signature in black ink, appearing to read 'Rob Cameron', written in a cursive style.

Rob Cameron
Partner