

CAMERON & COMPANY  
*Investment Bankers*

*Cameron & Company Limited*

*Level 17, West Plaza*

*One Albert & Customs Streets*

*PO Box 2100*

**Partners** *Air New Zealand*

**Murdo Beattie** *Telephone 09 912 8588*

**Nigel Bingham** *Fax 09 912 8591*

**Robert Cameron** *Website [www.cama.co.nz](http://www.cama.co.nz)*

**Paul Dougherty**

6 August 2001

Dr Cheong Choong Kong  
Chief Executive  
Singapore Airlines

Dear Dr Cheong

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 New Zealand 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 Singapore Airlines and Qantas in parallel. We would like to meet with your team in Wellington on Wednesday 8 August or Friday 10 August starting at 9am on the 13<sup>th</sup> floor of the Treasury building, No 1 the Terrace. We would plan for a full day meeting.

As John indicated to you, we will be particularly interested in the following:

What would New Zealand gain from increased Singapore Airlines investment in the Air New Zealand group? Under that general topic we would look to you 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 Singapore Airlines and Star Alliance traffic feeds for Air New Zealand.
- Protection and future enhancement of Air New Zealand's existing route structure.
- Fleet replacement and enhancement.

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

Secondly, in the light of the New Zealand government's view that allowing Singapore Airlines to hold 49% of voting rights in Air New Zealand would be very difficult, we would like to discuss with you whether you see any other options which address that difficulty, while still increasing Singapore Airlines shareholding in Air New Zealand and providing the Air New Zealand group with a viable capital base for recovery.

Thirdly we will want to get a clear understanding from you about how the Singapore Airlines proposal would be progressed. This should cover:

- Timelines and critical dates.
- Agreements and approvals needed from 3<sup>rd</sup> parties. In particular agreements and approvals needed from the Australian and New Zealand Governments, and regulatory Authorities in Australia and New Zealand. We would like to include in that discussion any approvals or agreements that are critical to the Ansett recovery plan.
- The likelihood of obtaining those approvals, and your strategy if the approvals are not forthcoming.

We will also want to discuss your views about the issues raised by the existing Brierley Investments Ltd (BIL) shareholding. The issues include:

- The participation or otherwise of BIL in any rights issue.
- The increasing perception of BIL as a Singaporean controlled company, and the extent to which this exacerbates the New Zealand government's difficulties with your proposal to increase Singapore Airlines' ownership to 49%.
- The risk to Air New Zealand's traffic rights that a combined BIL and Singapore Airlines shareholding of 79% may pose.

Finally we will need to agree the process and the next steps following the Singapore Airlines' presentation to the Crown Negotiating Team. New Zealand Ministers have directed that all discussions on your proposal be directed through me as leader of the negotiation team.

In terms of the format of the meeting, I suggest we start with a presentation from Singapore Airlines covering the above issues, and any others you think are important.

I look forward to progressing these issues with your team on Wednesday or Friday.

Yours sincerely  
CAMERON & COMPANY LIMITED



Rob Cameron  
Partner