

NATIONAL INTEREST DEED

relating to

AIR NEW ZEALAND

between

[THE NEW ZEALAND GOVERNMENT]

and

QANTAS AIRWAYS LIMITED

ABN 16 009 661 901



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NATIONAL INTEREST DEED

DEED dated

BETWEEN [THE GOVERNMENT OF NEW ZEALAND] (NZ Government)
AND QANTAS AIRWAYS LIMITED ABN 16 009 661 901 (Qantas)

BACKGROUND

- A. Qantas operates Australian and international air services.
 - B. Air New Zealand Limited (**Air NZ**) operates New Zealand and international air services.
 - C. Air NZ owns 100% of Ansett Holdings Limited (**Ansett**) which operates Australian air services through its wholly owned subsidiary, Ansett Australia Limited, and international air services through its 49% owned subsidiary, Ansett International Limited.
 - D. Air NZ's share capital is divided into 51% A class shares, 49% B class shares and one Kiwi Share.
 - E. Singapore Airlines (**SIA**) owns 25% of Air NZ in B class shares (**SIA Shares**).
 - F. BIL owns approximately 30% of Air NZ in A class shares (**BIL Shares**).
 - G. Qantas wishes to acquire the SIA Shares and facilitate the sale of the BIL Shares to a New Zealand National subject to, amongst other things:
 - (i) the required New Zealand and Australian Government approvals and all regulatory approvals being obtained; and
 - (ii) SIA (or some other company) having acquired the entire issued share capital in Ansett.
- (the **Acquisition**)
- H. The NZ Government wishes to ensure that if the Acquisition proceeds, Air NZ will continue to be operated in the New Zealand national interest with particular regard to the following issues:
 - (i) employment in New Zealand;
 - (ii) protection of New Zealand tourism;
 - (iii) protection on Air NZ's access to New Zealand traffic rights;
 - (iv) strengthening of Air NZ's position within the international aviation industry by securing Qantas and oneworld traffic feed through New Zealand;
 - (v) protection and future enhancement of Air NZ's existing route structure;
 - (vi) fleet replacement and enhancement; and

- (vii) competition, in New Zealand and on the Trans Tasman routes in particular.
- I. In order to give the NZ Government comfort in relation to the matters referred to in Paragraph H Qantas has agreed to make certain undertakings in respect of the matters listed below:
- (i) Network development;
 - (ii) Codeshare;
 - (iii) Protection of Koru and Air NZ brand;
 - (iv) Employment;
 - (v) Tourism;
 - (vi) Entry of Qantas Holidays;
 - (vii) Full membership of **oneworld**;
 - (viii) Benefits of working with QF/BA on London/Europe;
 - (ix) Maintenance and engineering; and
 - (x) Other benefits – joint procurement, IT etc.
- J. The above undertakings and action to be taken by SIA/Ansett or third parties, will ensure continued competition in the New Zealand domestic and Trans-Tasman markets.

1. National Interest

If the Acquisition proceeds (to be treated as a condition precedent) and whilst Qantas retains at least 25% of the shares in Air NZ or has at least 2 nominee directors on the Air NZ Board, then Qantas will, to the extent possible ensure that the Air NZ is operated in accordance with the principles set out in **Appendix A**.

2. Confidentiality

Although the existence of this deed may be disclosed to the public Qantas and the NZ Government agree that its specific terms are to be kept confidential as they contain confidential and commercially sensitive business information of Qantas and Air NZ.

3. Enforceability

This deed does not create any obligation upon Qantas to proceed with the Acquisition. However once the Acquisition occurs, the undertakings in this Deed are enforceable against Qantas in accordance with the normal principles of New Zealand law with specific sanctions detailed in the relevant appendix.

4. Force Majeure

Qantas is not liable for any failure to perform or for delay in performing its obligations if such failure or delay arises from causes beyond its reasonable control. For clarity this includes without limitation acts of government whether

legal or otherwise, industrial disputes, failures of suppliers or contractors or fluctuations in currency.

5. Governing Law

This deed is governed by the laws of New Zealand.

EXECUTED as a deed.

Signed sealed and delivered for and on)
behalf of)
[The New Zealand Government])
by its duly authorised representative)
in the presence of:)

Signature of witness

Signature of authorised representative

Name of witness (please print)

Name of authorised representative
(please print)

Signed by)
Qantas Airways Limited)
(ABN 16 009 661 901))
pursuant to section 127(1))
of the Corporations Act:)

Brett Johnson
Secretary

Geoff Dixon
Director

Crown – Qantas Executives Meeting: 9 August 2001

Qantas Proposals

Employment

- Air NZ net gain of 670 FTE positions (800 less 130 FTEs)
- includes 150 new maintenance and engineering jobs (over 3-5 years)
- Qantas may relocate call centre functions in NZ (net gain of 160 FTE positions)
- possibly other opportunities in locating international crew base, freight transit facility development, IT systems and projects, transaction processing, technical support

Growth of Air NZ's international services

- increased frequencies to Singapore, Hong Kong, Tokyo, Nagoya, Honolulu, Vancouver
- reintroduce Singapore-Frankfurt service
- introduce new services to Dallas, Johannesburg (via Perth), and Santiago
- future collaborative development of services from Qantas's Singapore hub

Tourism

- Air NZ access to Qantas Holidays (travel wholesaler), with initial commitment of 50,000 additional tourists per annum for Air NZ direct international flights

Securing alliance benefits

- Air NZ becomes member of OneWorld on same terms as Qantas. As OneWorld is not a 'directive alliance', Qantas cannot influence the traffic feed from alliance members into Air NZ.

Engineering and maintenance

- creation of centres of excellence in Australia and NZ – for NZ this includes: 767 servicing in Auckland; 737 servicing in Christchurch; engine servicing in Christchurch; defence servicing (eg, C130s) in Blenheim, Christchurch
- maintenance savings for Air NZ estimated at \$24 million per annum

Competition Issues/ Approvals

- exploring a possible structural remedy (eg sale of Qantas NZ operation) to preserve NZ domestic competition
- reliant on developing a legally enforceable behavioural undertaking (eg, entry of Ansett) to preserve trans-Tasman competition –acknowledges this is problematic given the Commerce Commission's inability to accept such an undertaking
- Commercial agreements to be authorised under the Civil Aviation Act (s 88)

Commercial Agreements

- no approach made to SIA for purchase of Air NZ shareholding – considering an approach in the next 4-5 days
- reliant on Government to Government discussions to bring SIA to the table
- believes BIL will accept unit trust option as a viable exit strategy – sees the exit of BIL as important to avoid repeating current governance problems