

Crown – Qantas Executives Meeting: 9 August 2001

Qantas Proposals

Key Issues

Timing

- acknowledged by both sides that Qantas is not in a position to have key approvals and commercial agreements settled by the end of August
- Crown noted that its primary concern is for Qantas to develop a viable proposal which also protects Air NZ's financial position
- Qantas sceptical about whether Air NZ's financial position justifies the urgency being attached to decisions – the Crown has noted that its own analysis suggests urgency is justified

Enforceability of commitments

- Qantas invited to consider how its specific proposals related to the National Interest Package (eg, employment, route development) can be made enforceable

Competition approvals

- Qantas invited to consider whether it will seek an authorisation of the transaction under the Commerce Act or, alternatively, seek special legislation authorising the transaction
- Crown noted that any special legislation would require a complementary regulatory package, which would take a considerable period of time to develop and enact

Commercial agreements

- Qantas notes difficulty of getting SIA to the negotiating table, and notes that this may only be achieved through:
 - SIA realising that its current proposal will not proceed, and that it needs a plan B to secure Ansett
 - Government to Government discussions, especially between Australia and Singapore, to highlight the national interest issues for Australia raised by the SIA proposal
- Qantas invited to advise what contribution it believes the NZ Government could make to any Government to Government discussions (before it makes its decision in late August)
- Qantas invited to advise Crown of its 'reserve strategies' in the event that the unit trust structure for purchasing the BIL shareholding proves to be unviable

Constitutional Issues

- Qantas invited to advise on what changes to the Air NZ constitution are required under its proposal
- Qantas invited to consider the implications of the A and B shares being merged as part of any proposal

Level of shareholding

- Qantas indicated that it is happy with a 25% stake in Air NZ, and is not seeking a larger stake.