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Dear Bruce

**APPLICATION FOR AUTHORISATION UNDER S.88 CIVIL AVIATION ACT 1990  
OF THE NORTH ASIA ALLIANCE AGREEMENT between  
AIR NEW ZEALAND LIMITED and CATHAY PACIFIC AIRWAYS LIMITED**

Pursuant to the provisions of Section 88 of the Civil Aviation Act 1990 (the **CAA**), Air New Zealand Limited (**Air NZ**) on its own behalf and on behalf of Cathay Pacific Airways Limited (**Cathay**) hereby files for authorisation by the Minister of Transport of the North Asia Alliance Agreement (**NAAA**) **enclosed** as Appendix 1 and the proposed Implementing Agreements (including an inter-conditional Code Share Agreement) referred to in the NAAA at section 4.2.

The Code Share Agreement, which will set out the operational aspects of the Alliance, is expected to be finalised within the next two weeks, and the Parties intend to file this Implementing Agreement as a finalised agreement with the Minister of Transport for purposes of authorisation. A Terms Sheet in respect of the Code Share Agreement is included in Schedule 5 of the NAAA.

**1. CONFIDENTIALITY**

Air NZ and Cathay request that the MOT keeps this application, its contents and Appendices, discussions held and information and further documents exchanged pursuant to it in the strictest confidence. Air NZ is a member of the Star Alliance and Cathay is a member of oneworld Alliance. [ ]

[ ]

## 2. THE AGREEMENT

2.1 The NAAA<sup>1</sup> records an arrangement whereby Air NZ and Cathay will work together to provide customers with an enhanced offering across their combined New Zealand – Hong Kong network.

2.2 The NAAA provides for:

- (a) A broad scheduling, pricing and capacity coordination arrangement covering:
- All New Zealand – Hong Kong sectors operated by either airline (the **Alliance Routes**) (i.e. currently Auckland – Hong Kong, or routes between New Zealand and Hong Kong which may be developed in the future by either partner under the Alliance [ ]);
  - Feeder routes, being the domestic New Zealand sector of an international route comprising an Alliance Route plus a domestic New Zealand sector connecting to an Alliance Route as part of an international itinerary (the **Feeder Routes**).
- (b) A free-sell codeshare on the Alliance Routes.
- (c) A revenue allocation on the Alliance Routes.

The Feeder Routes are not included in the codeshare or revenue allocation arrangements.

2.3 The implementation of the NAAA is conditional upon, and the operational elements described above will not come into effect until, the satisfactory receipt of:

- (a) All relevant regulatory approvals, to the satisfaction of each of the Parties.
- (b) [ ]

2.4 The Alliance will be supported by the following “Implementing Agreements” in addition to the Code Share Agreement, which are in various stages of negotiation, the status of

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<sup>1</sup> A full summary of the Agreement is set out in Appendix 2.

which are set forth in respective term sheets in Schedule 5 of the NAAA, and which will be developed into full agreements during the regulatory and Star Alliance approval process:

- (a) **Special Prorate Agreement (SPA)** [ ] is set out in Appendix 5 for information.
- (b) A **Premium Customer Handling and Lounge Access Agreement** which will provide reciprocal lounge access and metal neutrality for loyalty members and premium customers on the Alliance Routes **and** on certain flights booked in conjunction with the Alliance Routes. This agreement is currently at term sheet stage and is set out at Schedule 5 of the NAAA.
- (c) **Frequent Flyer Program (FFP) Agreement** which will provide reciprocal frequent flyer programme benefits to members of our Airpoints™ programme and Cathay's AsiaMiles programme on the Alliance Routes. This agreement is currently at term sheet stage and is set out at Schedule 5 of the NAAA.

### **Summary of benefits**

- 2.5 The Parties' commercial and consumer Objectives in entering the Alliance are set out in full at Clause 3 of the NAAA.
- 2.6 [ ] under the Alliance there are a range of substantial and key benefits:

- (a) A **doubling (up to triple on a seasonal basis) of online frequencies** (i.e. common code) for travel between New Zealand and Hong Kong as a result of code- sharing for customers of each airline<sup>2</sup>;
- (b) This greater number of frequencies for each Party's code will provide consumers with a **corresponding increase in opportunities to utilise FFP programme benefits and lounge access benefits** (described further below);
- (c) Additional **new online connections for NZ coded passengers** connecting to other Air NZ operated flights at either end of the Auckland – Hong Kong sector;
- (d) Improved **time of day benefits** i.e. NZ consumers flying from Auckland to Hong Kong will now be able to choose either the existing 1159 flight operated by Air New Zealand, or the 0900 (seasonally operated) or the 1410 flight operated by Cathay;
- (e) **Immediate access to more connecting flights**, particularly from the Hong Kong hub. For Cathay customers many of these will be new online connections e.g. in the Hong Kong – Auckland direction, CX customers will get 19 new connecting journeys from points in China/Taiwan as a result of the Alliance;
- (f) **Enhanced product and service offerings** which will lead customers to become “metal neutral” through:
  - (A) the provision of reciprocal lounge access on Alliance Routes and the desire for the Parties to quickly move to “common use” lounges at their key hubs in Auckland and Hong Kong;
  - (B) the extension of lounge access benefits to Air New Zealand's customers connecting onto Cathay/Dragonair services to points in China (initially Beijing and Shanghai) notwithstanding that these are interline (not codeshare) connections;

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<sup>2</sup> See paragraph 4.8 below. Air New Zealand currently operates 7 weekly services on the sector year round. Cathay operates 7 weekly services year round, increasing to 10 weekly services between Nov – mid Dec and 14 weekly services between mid Dec – mid Feb. At peak, NZ code will appear on 21 flights instead of 7, and CX code will appear on 21 flights instead of 14.

- (C) premium customer handling reciprocity on Alliance Routes, which will lead customers to become “metal neutral”;
  - (D) the provision of reciprocal frequent flyer programme (FFP) benefits on Alliance Routes;
  - (E) efficient and clear customer service through alignment of customer facing products, systems and airport operations.
- (g) **[ ] new interline connections** under the terms of the new Special Prorate Agreement (SPA) that has been substantially agreed by the Parties **[ ]**;
- (h) There will be a **propensity to improve behind and beyond connections** because the parties are incentivised under the NAAA to improve the load factor on the Alliance Routes, and therefore will independently seek more convenient connections for customers at the relevant gateways. With this incentive on the parties to align schedules at the gateways to minimise connection times, additional consumer benefits will be realised;
- (i) Access to **more lower priced inventory** through seat management efficiencies that are gained by having a larger pool of seat inventory;
- (j) **Efficiencies for the airlines** (and hence scope for reduced fares) as a result of:
- (i) a more efficient use of each Party’s aircraft i.e “Economies of Traffic Density” as a result of the load factor improvements flowing from offering consumers a more attractive option; and
  - (ii) cost savings and cost sharing and other efficiencies which should lower the overall operating costs of the Alliance;
- (k) Over time, the Agreement is expected to create opportunities to put **additional capacity onto the Alliance Routes**, as well as potentially commence operating additional sectors between New Zealand and Hong Kong, **[ ]**;
- (l) **Stimulation of inbound tourism** as a result of the improved frequencies arising from codesharing, the substantially increased connectivity options at Hong Kong to Cathay’s (and its partner Air China’s) own services to and from China, UK/Europe and South East Asia, the availability of **[ ]** a number of new interline

connections, the enhanced product and service offering, and efficiencies leading to a more competitive offering for inbound tourists.

### Competitive Effects

2.7 Under the Alliance, any consumer detriments are minimal (and are offset by the benefits described above):

- (a) Only 18% of airline passengers onboard the non-stop Auckland - Hong Kong flights are Auckland – Hong Kong origin/destination passengers<sup>3</sup>. In respect of the Auckland – Hong Kong sector, the vast majority of passengers travelling on these sectors do so as part of a wider New Zealand – Asia/Europe itinerary, for which there are competing services.
- (b) Of these 18% of passengers, the passengers least likely to accept substitute services are business passengers with Auckland – Hong Kong origin/destination, but these are a small share of passengers on the nonstop flights. New Zealand Department of Statistics data indicate that only 16% of outbound passengers are travelling for business purposes between Auckland and Hong Kong. Some of these will be travelling on the services of other carriers. Thus, at most, only 16% of these travellers could be construed as having potential for a negative effect of the alliance. This is a very small percentage of the passenger travelling on the alliance partners' flights. Further, these are the passengers who will most value the access to the flights of both carriers (on which they can also utilise their FFP programme and lounge access benefits) providing an important offsetting benefit.<sup>4</sup>
- (c) In respect of the 18% of passengers travelling locally i.e. point to point:
  - (i) There is another daily non-stop carrier in the Pearl River Delta market i.e. China Southern;
  - (ii) As well, there are 9 one-stop services offered by major international carriers including Qantas, Thai, Singapore, Malaysian.

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<sup>3</sup> Refer Tretheway paragraph 3.1.15.

Air New Zealand and Cathay must ensure their direct Auckland-Hong Kong services are competitive with these other direct and one-stop alternatives to Pearl River Delta destinations. It is very difficult to identify passengers for which neither of these options are valid alternatives, which means that even if such passengers exist, they will nevertheless benefit from the constraint those options impose on the direct Auckland-Hong Kong fares.

- (d) NZ cities other than Auckland will already require an intermediate stop. Thus for cities other than Auckland, there is no detriment on their routes, as the Alliance does not reduce the number of one-stop services in the market or the number of seats.<sup>5</sup> and will continue to have a range of alternative one-stop options, including on Qantas/Jetstar via Australia and, for Christchurch passengers, via Singapore on Singapore Airlines. In addition, the doubling of the number of connections across the Auckland gateway is a key benefit to these consumers.
- (e) In the case of leisure travellers, additional pricing constraint is also imposed by the presence of competing destinations, such as Shanghai, Beijing and Singapore – all of which are well served by major carriers;
- (f) Air Services Agreements are generally not a barrier to entry by other carriers in the market between the Pearl River Delta and New Zealand. In fact the recent bilateral negotiation between the Governments of New Zealand and China in April saw a tripling of the permitted frequency of air services between the countries, from 7 to 21 weekly services; and
- (g) Not only are entry barriers modest to low, there are several carriers which are poised for potential entry<sup>6</sup> into the market and a number of major New Zealand airports prepared to offer subsidies for a new entrant on long-haul routes to Asia.

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<sup>4</sup> Refer Tretheway paragraph 3.1.16.

<sup>5</sup> Refer Tretheway paragraph 8.2.5.

## Rationale for Authorisation

2.8 For the reasons set out in the following sections, Air NZ believes the s88 test for authorisation of the Agreement is met. In particular, the Alliance does not breach any of the provisions in section 88 of the Civil Aviation Act which limit the Minister's discretion to grant an authorisation. The following sections outline the benefits to the travelling and New Zealand public generally, and why the NAAA and its Implementing Agreements will not impact on the availability of competitive airfares on Alliance Routes.

### 3. BACKGROUND TO THE MARKET & ALLIANCE ROUTES

3.1 The passenger data provided in this application includes publically available information in relation to passenger numbers, passenger origin-destination data and reason for travel that has been obtained from the New Zealand Department of Statistics. The NZDOS collects this overseas arrival and departure information from incoming/outgoing passenger cards and aggregates the information so that it can not be used to identify any particular operating carrier. This customs data, being a 100% sample of visitor arrivals/departures, is the best source of information on true origin-destination of passengers<sup>7</sup>.

3.2 The relevant area of competition is that for passenger air services from the Pearl River Delta to New Zealand, as set out in fully in the independent report of Mike Tretheway **attached** in Appendix 3<sup>8</sup>. In summary, the Pearl River Delta approach is conservative alternative to adopting a wider South East Asia approach<sup>9</sup>, and is appropriate because:

- Pearl River Delta encompasses the narrower geographical region that includes

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<sup>6</sup> Refer Tretheway paragraph 8.3.5.

<sup>7</sup> Refer Tretheway paragraph 4.4.2 – 4.4.4.

<sup>8</sup> Refer Tretheway Section 3 (paragraphs 3.1.3 – 3.1.7) and Section 4

<sup>9</sup> In the application to the MOT dated November 1997 for approval of an Alliance between Air New Zealand, Ansett Australia, Ansett International and Singapore Airlines, the Ministry of Transport accepted that SE Asia (encompassing Singapore, Bangkok, Jakarta, Kuala Lumpur, Taipei and Denpasar) was the relevant scope of the market for services between city pair of New Zealand and Singapore, which is by comparison a much wider geographic definition than the Pearl River Delta.

Hong Kong, and the China cities of Shenzhen, Macau and Guangzhou.

- Hong Kong Airport is 37.6km away from the centre of Hong Kong Special Administrative Region. The airports in the above cities are at a distance of 53.4, 66 and 178km respectively from the centre of Hong Kong SAR<sup>10</sup>.
- There are appreciable volumes of traffic that move from the region around Hong Kong via other airports in the region and vice versa<sup>11</sup>.
- The relativity of fares offered on Air New Zealand's own services between New Zealand and Hong Kong on the one hand, and New Zealand and China (Shanghai) on the other is another useful indicator of a geographic market. Appendix 7 contains current fare data which illustrates that there is extremely close relativity between Air NZ's fares on its Auckland – Hong Kong sector and its Auckland – Shanghai sector.

3.3 Relevantly, Air NZ currently operates services, ex Auckland to Hong Kong (which continues to London). Cathay currently operates services, ex Auckland to Hong Kong (which connects to a number of beyond destinations). China Southern serves the market non stop from Guangzhou to Auckland.

3.4 The NAAA refers to New Zealand – Hong Kong sectors as “Alliance Routes” (where a code share, sales, pricing and schedule coordination and revenue allocation model will apply). The Alliance Routes are supported by “Feeder Routes” (where only sales, pricing and scheduling coordination will apply), and described as follows.

**Table 1 Relevant Routes**

<b>Alliance Routes</b>
Direct routes from and to Hong Kong – New Zealand
<b>Feeder Routes</b>

<sup>10</sup> Refer Tretheway paragraph 4.3.7, table 4-1.

<sup>11</sup> Refer Tretheway paragraph 8.1.1.

All Air New Zealand operated domestic sectors in New Zealand which are sold as part of a connecting international journey on the Alliance Routes

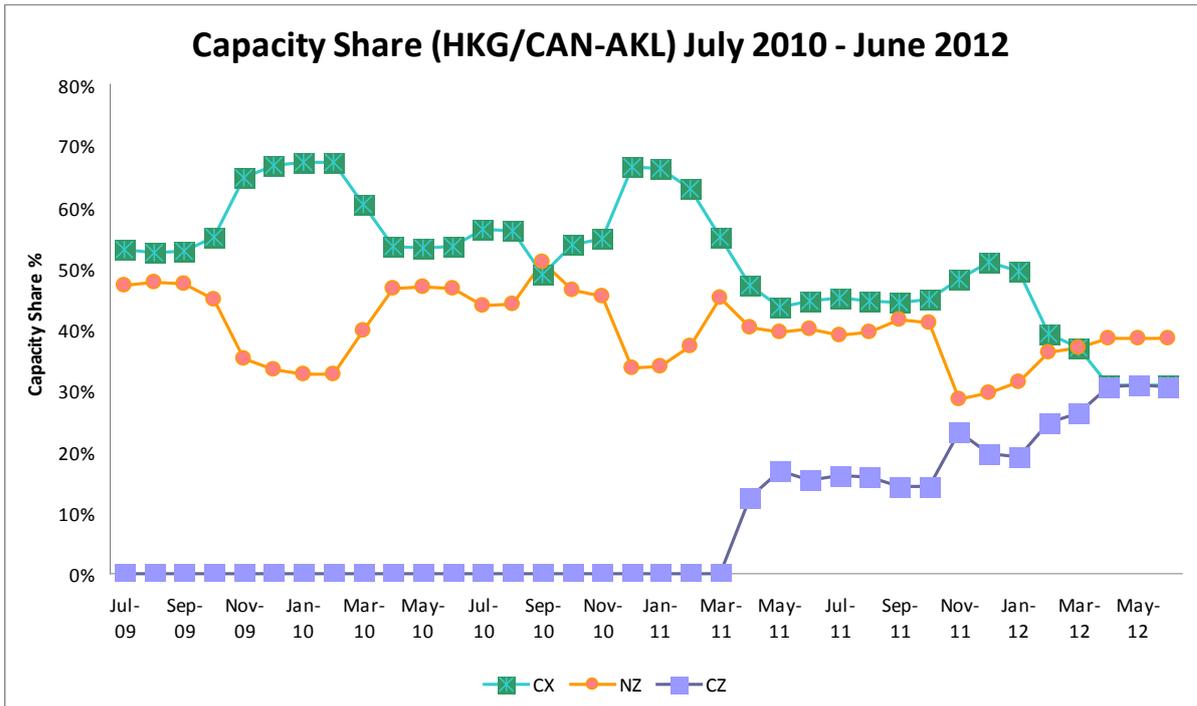
These routes may be amended by the parties from time to time.

*Loss of Capacity Share to China Southern*

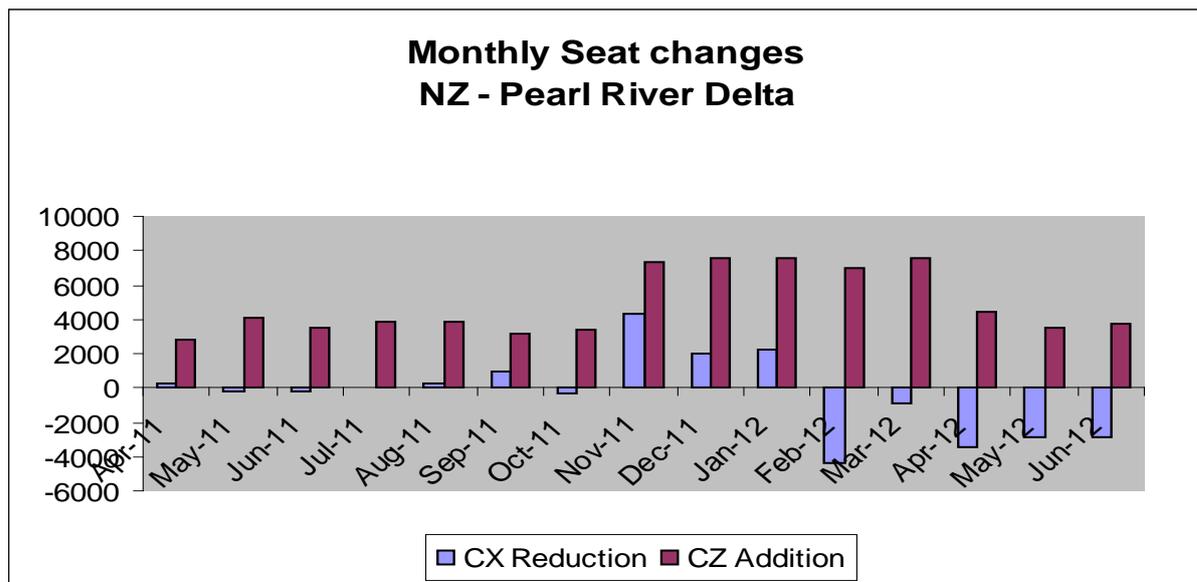
- 3.5 The Alliance will position Air New Zealand and Cathay to recover some of their lost capacity share between the Pearl River Delta and New Zealand as China Southern continues to grow its presence in this market.
- 3.6 Following its launch with a three times weekly service, China Southern increased to daily services between Guangzhou and Auckland in November 2011. It is the largest carrier operating between China and Australia and China and New Zealand, with 35 weekly services to Australia and 7 weekly services to Auckland.
- 3.7 Since China Southern entered the Pearl River Delta – New Zealand market, both Air New Zealand and Cathay have lost a significant amount of capacity share as illustrated in the following graph<sup>12</sup>:

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<sup>12</sup> Data sourced from DIIO, as at 26 April 2012



3.8 The following graph further illustrates a degree of substitutability between Hong Kong and Guangzhou in the Pearl River Delta region, supporting the Pearl River Delta as the relevant area of competition. As China Southern has added capacity on Guangzhou – Auckland, Cathay has implemented a corresponding decrease in capacity on Hong Kong – Auckland services.



#### 4. CONSUMER BENEFITS

Although the Parties do not expect in the near term that the Alliance will result in additional operated services above the services currently offered, under the proposed Alliance there will be a range of substantial and key benefits arising. These benefits are identified and discussed in section 7 of the report by Mike Tretheway at Appendix 3.

Codeshare which will result in a doubling (up to triple on a seasonal basis) of the current “online” frequencies for the customers of each airline<sup>13</sup>

- 4.1 Air New Zealand currently operates 7 weekly services on the Auckland/Hong Kong sector year round.
- 4.2 Cathay currently operates 7 weekly services year round, increasing to 10 weekly services between November – mid December and 14 weekly services between mid December – mid February.
- 4.3 The Parties will codeshare on the Alliance Routes. [ ]
- 4.4 Under a free-sale codeshare each Party will make capacity available without restriction to the other Party on its operated metal on the Alliance Routes, with such capacity able to be sold under the selling or marketing carriers “code”.
- 4.5 This arrangement results in the placement of Air NZ’s code on Cathay’s Auckland to Hong Kong services. This in turn means a doubling of the number of direct NZ “coded” flights between New Zealand and Hong Kong from the current 7 per week to 14 on a year round basis.<sup>14</sup> In the seasonal peak, this will lift to 21 services per week which is a tripling of the available options.
- 4.6 From Cathay’s perspective (and that of its customers), the Agreement provides for CX to place its code on Air NZ’s services between Hong Kong and Auckland. Cathay customers now have the option of an additional 7 scheduled flights between Auckland and Hong Kong on a year round basis, on top of the existing 7 – 14 schedule options.

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<sup>13</sup> At paragraph 7.1.2 of his report, Mike Tretheway refers to this as “frequency”, but it should be clarified that this is not additional flown services, rather it is through the mechanism of codeshare.

- 4.7 The greater number of frequencies for each Party's code will provide customers with a *corresponding increase* in opportunities to utilise FFP programme benefits and lounge access benefits (which are further described below).

Improved time of day benefits<sup>15</sup>

- 4.8 Cathay and Air NZ operate the following flights at different times of the day on a year-round basis:

<b>Departures from Auckland</b>			
Cathay Pacific	14:10pm	Air New Zealand	11:59pm
Arrival Hong Kong	20:50pm	Arrival Hong Kong	6:30am
<b>Departures from Hong Kong</b>			
Cathay Pacific	20:55pm	Air New Zealand	6:10pm
Arrival Auckland	11:45am	Arrival Auckland	6:30am

Cathay operates the following additional seasonal service at the following frequencies:

- 3 weekly services from November – Mid December
- 7 weekly services from Mid December – Mid February

<b>Departures from Auckland</b>	
Cathay Pacific	09:00am
Arrival Hong Kong	15:20pm
<b>Departures from Hong Kong</b>	
Cathay Pacific	15:25pm
Arrival Auckland	07:35am

<sup>14</sup> Passengers can also travel to Hong Kong on NZ code via Australia (with the Australian-Hong Kong sector operated by Virgin Atlantic).

<sup>15</sup> Refer Tretheway paragraphs 7.2.3 – 7.2.8.

- 4.9 Each of these flight times has attractions for some customers. As an example, the Cathay afternoon departure from Auckland is attractive to many travellers and allows a wide range of outbound domestic NZ connections to the flight. However, the flight arrival into Hong Kong in mid evening offers a limited number of connections. The Air New Zealand flight, while possibly unattractive to some due to the late night departure, enables connections to virtually every Hong Kong connecting service.
- 4.10 A significant benefit of the Alliance is the ability of Cathay to connect its large number of inbound flights to Hong Kong with Air New Zealand's Hong Kong – Auckland service, which will now carry the CX code (and vice versa). This will be of benefit to passengers – and in particular to inbound tourists – who now have an additional competitive choice to beyond destinations. It will also benefit outbound New Zealand passengers, who will have been enhanced connectivity to a range of beyond destinations. In addition, local point to point passengers will also benefit from an early afternoon departure on Cathay, which arrives mid evening in Hong Kong.
- 4.11 The time of day benefit is of high value to both connecting and origin-destination passengers and would not be possible absent the proposed Alliance.

Immediate access to more connecting flights

- 4.12 The Alliance will enabling more on-line connections to all points served by Cathay Pacific beyond Hong Kong (due to access to NZ flight at very different time of the day, thus connecting to different beyond flights) and to all points served by Air New Zealand in domestic New Zealand and the Tasman by having an additional flight each day to/from which connections can be made.<sup>16</sup>
- 4.13 Connectivity is a significant benefit, and we have included at Appendix 6 a summary of all of the landings and departures at Hong Kong airport to highlight the additional connectivity created for Alliance passengers in both directions from each of Air NZ and Cathay's current flights using an minimum connection time of 90 minutes and a maximum connection time of 4 hours.

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<sup>16</sup> Refer to the third dot point in Tretheway paragraph 7.4.3

4.14 We have only analysed the new connections that will be available into and out of Hong Kong, on services operated by Cathay, DragonAir, Air NZ and a few other key partners of both carriers i.e. Air China, Lufthansa.

4.15 In the **Auckland – Hong Kong** direction, Alliance passengers will have the benefit of 54 possible interline connections, creating a significant increase in the available itinerary options:

Main connectivity	Current NZ timing	Current CX timing
<b>CHINA/TAIWAN</b>		
Flights to PVG	4	0
Flights to PEK	2	0
Flights to Taiwan	5	1
Flights to secondary China	8	0
<b>Total New</b>	<b>19</b>	<b>1</b>
<b>UK/EUR</b>		
Flights to London	2	3
Flights to Europe	0	8
<b>Total New</b>	<b>2</b>	<b>11</b>
<b>SE ASIA/JAP</b>		
Flights to Vietnam	2	0
Flights to India	0	1
Flights to Sth Africa	0	2
Flights to Sth Korea	1	0
Flights to Sth East Asia	10	0
Flights to Japan	5	0
<b>Total new</b>	<b>18</b>	<b>3</b>
<b>GRAND TOTAL</b>	<b>39</b>	<b>15</b>

4.16 For New Zealand consumers, the connectivity (and related FFP and lounge benefits) is substantial:

- Passengers who would ordinarily travel on Air NZ will gain access to an additional 11 direct connections to UK/Europe (there are two currently available).
- Passengers who would ordinarily travel on Cathay will gain access to an additional 19 direct connections to other points in Asia (there is just one currently available).

4.17 It can be seen from the diagram illustrating the geography of the connections in the Auckland – Hong Kong direction in Appendix 6 that Air NZ's flight connects efficiently in Hong Kong to

a large number of mainland China and short haul Asian destinations operated by Cathay/Dragonair, while Cathay's flight connects efficiently in Hong Kong to a large number of key long haul destinations such as Frankfurt, Paris and London. This provides a significantly improved range of origins and destinations on which a New Zealand passenger will be able to benefit from more seamless travel, and the opportunity to earn and use their FFP benefits on the Auckland – Hong Kong sector of that journey.

- 4.18 In the **Hong Kong - Auckland** direction, Alliance passengers will have the benefit of 55 possible interline connections:

Main connectivity	Current NZ timing	Current CX timing
<b>CHINA/TAIWAN</b>		
Flights from PVG	4	3
Flights from PEK	2	2
Flights from Taiwan	4	2
Flights to secondary China	5	7
<b>Total New</b>	<b>15</b>	<b>14</b>
<b>UK/EUR</b>		
Flights to London	2	2
Flights to Europe	2	1
<b>Total New</b>	<b>4</b>	<b>3</b>
<b>SE ASIA/JAP</b>		
Flights to Vietnam	1	0
Flights to India	0	0
Flights to Sth Africa	0	0
Flights to Sth Korea	0	1
Flights to Sth East Asia	7	5
Flights to Japan	2	3
<b>Total New</b>	<b>10</b>	<b>9</b>
<b>GRAND TOTAL</b>	<b>29</b>	<b>26</b>

Connectivity in this direction does not open up a significantly improved range of Origin and Destinations than existed before, but it does effectively double the connecting frequencies.

Enhanced product and service offerings which will lead to “metal neutrality”

- 4.19 The NAAA and the Implementing Agreements will also enhance customer experience via the consistent end to end product offering for customers who enjoy the high quality service and products that both airlines provide. These benefits arise from:
- (a) the provision of reciprocal lounge access on Alliance Routes [ ]
  - (b) the extension of lounge access benefits to Air New Zealand’s customers connecting onto Cathay/Dragonair services to points in China (initially Beijing and Shanghai) notwithstanding that these are interline (not codeshare) connections;
  - (c) premium customer handling reciprocity on Alliance Routes, which will lead customers to become “metal neutral”;
  - (d) the provision of reciprocal frequent flyer programme (FFP) benefits on Alliance Routes;
  - (e) efficient and clear customer service through alignment of customer facing products, systems and airport operations; and
  - (f) marketing and promotion of the services on a metal neutral basis.
- 4.20 In relation to FFP, as described above, Cathay and Air NZ currently operate flights at different times. Some passengers have a need for a flight at a particular time, but it may be on the carrier with which they do not have a frequent flyer membership. The Alliance would allow those passengers to earn full frequent flyer benefits in their program no matter which metal they choose to fly on the Alliance Route.
- 4.21 Similarly, when a frequent flyer wishes to use points for travel on the Alliance Routes, with the Alliance, passengers will have two (up to three) daily options, at two (up to three) different times.
- 4.22 As well, the traveller will have access to a greater number of frequent flyer seats, as s/he can access the seats of either carrier<sup>17</sup>.

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<sup>17</sup> Refer Tretheway at paragraph 7.5.4.

4.23 These benefits will further encourage tourism into New Zealand, and ensure the widest possible choice for consumers in New Zealand who are travelling to the Pearl River Delta region.

Propensity to improve behind and beyond connections

4.24 The increased number of online schedule options will not only result in greater convenience for passengers. Because the parties are incentivised under the NAAA to improve the load factors on the Alliance Routes, they will have a propensity to independently seek more convenient connections for customers at the relevant gateways. For instance, Air New Zealand might be incentivised to make improvements to its Queenstown – Auckland schedule to better connect with Cathay’s Auckland – Hong Kong service. This is a further enhancement to the product and service offering for consumers that will eventuate under the Alliance.

[ ] new interline connections

4.25 An important aspect of the proposed Alliance is that it will include a new special prorate agreement (**SPA**) between Air NZ and Cathay that will replace the existing SPA between the Parties. The key benefits arising from this new SPA are detailed in Appendix 6, and include:

- Additional interline sectors being made available by the Parties to each other;
- [ ]

4.26 In relation to the new interline sectors, Air NZ passengers travelling beyond Hong Kong to destinations served by Cathay but not by Air NZ or its alliance partners, would now be able to purchase interline tickets sold by Air NZ to a wide range of destinations, not only in China but into other markets in Asia and Europe. Cathay passengers will now be able to access [ ] itineraries via Auckland to multiple destinations in Australia.

4.27 [ ]

4.28 [ ]

Access to more lower priced inventory i.e. Seat Management Benefit<sup>18</sup>

- 4.29 A benefit of the proposed alliance is the ability to make available more seats at the lower fare classes.
- 4.30 In its simplest terms, seat management involves a carrier withholding a certain number of seats from advance sale at discounted prices. These are reserved for high fare paying passengers who tend to book relatively more frequently close to the flight date.
- 4.31 When a route has a modest number of seats per day, the percentage of protected seats will be higher than on routes with more seats per day. By pooling the seats of both carriers, fewer seats in total will need to be protected for late booking passengers, as the capacity of both carriers can be utilised to accommodate late booking demand. This means that more seats can be put into the fare buckets (seat inventory available for sale) for the lower fares. This will both increase the carriers' average load factor, and bring down the average fare (because more discounted seats are sold without sacrificing late booking demand).

Efficiencies for the airlines through economies of traffic density and future opportunities

- 4.32 The enhanced offering and promotion under the Alliance will – all other things being equal – give rise to increased load factors on the services, which:
- (a) will lead to a more efficient utilisation of aircraft, which enhances the scope to reduce prices. High load factors also reduces the level of fuel burn per passenger; and
  - (b) over time, is expected to create opportunities to increase aircraft gauge and/or add capacity to the Alliance Routes, which would see services potentially added [ ].
- 4.33 Airlines operate revenue management systems that set the price of seats depending on a range of factors – including the airline's forecast of the likely demand in the period leading up to the date of departure. By working together, the Parties will be able to better forecast likely demand for a given flight.
- 4.34 This improved forecasting, coupled with a greater pool of total capacity between New Zealand and Hong Kong, will enable the Parties to better utilise capacity on the various routings to move passengers in the most efficient manner.

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<sup>18</sup> Discussed in Tretheway at paragraph 7.4

- 4.35 The above outcomes should allow the parties to reduce their cost base via cost savings and cost sharing and traffic density efficiencies which should lower the overall operating costs of the Alliance.
- 4.36 In relation to future opportunities, other alliances have enabled new services. A relevant example is the new route from Auckland to Maroochydore, which was enabled due to the alliance between Air NZ and Virgin Australia.<sup>19</sup>

#### Stimulation of inbound tourism

- 4.37 The benefit of immediate access to more connecting flights that will arise from codeshare arrangements described in paragraphs 4.1 – 4.7 above will provide overseas tourists with substantially more flexibility and hence incentive to visit New Zealand – they can choose to arrive early morning or around midday, and will get FFP and lounge benefits when they exercise either choice.
- 4.38 In relation to the Alliance Routes on which revenue is allocated, this incentive arises because the revenue allocation model rewards a party which books passengers on code share flights on Alliance Routes, notwithstanding they are operated by the other party – the Parties' sales forces are therefore metal neutral. The revenue allocation mechanism encourages both Parties to drive traffic onto the Auckland – Hong Kong sector, growing that traffic, and replacing or retaining business that might otherwise be lost to e.g. China Southern who is expanding aggressively in the Pacific Rim region, and has 7 weekly services from Guangzhou to New Zealand. The Parties anticipate that it will lead to growth, and hence the long term sustainability of the sector.
- 4.39 The support of the Cathay-based overseas sales network is particularly important in the context of supporting and growing load factors on Air NZ's services (as well as New Zealand as a tourist destination) given that Air NZ's share of inbound visitors from Hong Kong is [ ] of the approximately 18% of Hong Kong originating passengers travelling to New Zealand on the Auckland - Hong Kong route, being approximately [ ] passengers. The actual % of tourists is less when you factor in that 16% of this traffic is travelling for business reasons.

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<sup>19</sup> See <http://www.airnewzealand.co.nz/press-release-2012-air-new-zealands-alliance-with-virgin-australia-goes-direct-to-sunshine-coast>.

4.40 On the return journey, Cathay customers will now be able to avail themselves of a large bank of possible connections to points in Asia, which connections would not exist absent the Alliance.

4.41 These outcomes, coupled with the substantial profile of Cathay more generally in Hong Kong, will assist to raise awareness of New Zealand as a destination, and encourage tourists to travel to New Zealand.

## 5. CONSUMER PROTECTION

5.1 The Agreement does not affect in any way Air NZ and Cathay's current practice of ensuring that their passengers on the code share services are fully informed, at the earliest point of time, of the identity of the operating carrier. Both parties will continue to ensure that computer reservation systems displays, timetables and other publications advertising the code share flights clearly indicate to the consumer the operating carrier and that the flights are code share flights.

## 6. COMPETITION CONSIDERATIONS

6.1 Despite the current overlap between the services of Air NZ and Cathay on the Auckland – Hong Kong sector, only a small portion of point to point consumers between Auckland and Hong Kong experience any offsetting detriment, and all passengers will enjoy the benefit of a second choice of flight. This is because the number of origin/destination passengers that are travelling only on the Auckland - Hong Kong route is limited, accounting for approximately 18% of passengers on board the nonstop flights.<sup>20</sup>

6.2 While the Alliance will put two of the three non-stop carriers together, there will be a material level of competition remaining in the market.<sup>21</sup>

6.3 NZ cities other than Auckland will not suffer detriment<sup>22</sup>:

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<sup>20</sup> Refer Tretheway paragraph 8.3.6.

<sup>21</sup> Refer Tretheway paragraph 3.1.14.

<sup>22</sup> Refer Tretheway paragraph 3.1.12 – 3.1.13.

- For New Zealand cities other than Auckland, the best available service presently available is one-stop.
- Of special importance for the non-Auckland cities in New Zealand is competing service from Qantas, which operates non-stop service from four gateways in Australia (Sydney, Brisbane, Melbourne and Perth) to Hong Kong. Sydney and Melbourne are connected to three other points in New Zealand<sup>23</sup>, and Brisbane is connected to three. The Qantas service is both frequent and robust. E.g. passengers who misconnect inbound from Hong Kong will often have additional flights available on the same day, or can be routed from Hong Kong to a different Australian hub to reach their New Zealand destination.
- As well, Christchurch enjoys one stop service to Hong Kong on Singapore, Thai, Air Pacific and JAL.
- Some cities in New Zealand do not enjoy competing service, either from a New Zealand air carrier or a carrier such as Jetstar or Virgin Australia. These communities will not suffer any loss of competition from the proposed alliance.
- Thus, for cities other than Auckland, there is no detriment on their routes, as the Alliance does not reduce the number of one-stop services in the market or the number of seats. If anything, the doubling of the number of connections across the Auckland gateway is a net benefit to these communities.

6.4 Fares on the relevant route will remain at competitive levels because substantial pricing constraint on the wider New Zealand – Pearl River Delta services will continue to be imposed by the presence of large competing airlines offering:

- (a) Non-stop services between Auckland and Guangzhou: China Southern; and
- (b) One-stop services: 9 carriers, along with a 10<sup>th</sup>, Air China, marketing services via an interline connection with Air New Zealand;

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<sup>23</sup> Christchurch, Queenstown, Wellington.

all of which offer passengers numerous Pearl River Delta options over their respective hubs.<sup>24</sup>

Refer to the Table in Appendix 4 for a summary of Airline services from Pearl River Delta to New Zealand as at March 2012.

6.5 Nevertheless, it is recognized that some passengers, particularly business travellers, may have a very strong preference for nonstop flights between Auckland – Hong Kong and be unwilling to substitute either connecting services to Hong Kong or nonstop service to Guangzhou. Although it is not easy for the Parties to identify and discriminate against such travellers, for these passengers there could be a potential detriment in the unlikely case that the alliance partners are able to exercise their market power on the route. While this is a possibility, there are several limits to such an outcome:

- First, there is the potential for poised entry should the carriers attempt to increase their fares on nonstop service.
- Second, the number of passengers that are travelling only on the Hong Kong – Auckland route is limited, accounting for less than 18% of passengers on board the nonstop flights.
- Third, for the majority of passengers on the nonstop flights, passengers who are going beyond Hong Kong or behind Auckland (or vice versa), the alliance partners will need to compete with other large, International carriers such as Qantas, Japan Airlines and Singapore Airlines.
- Further, the fares on these connecting flights will act as a constraint on the nonstop fares. Carriers generally seek to avoid anomalies in their fare structures. As well passengers are known to purchase connecting fares and discard flight coupons when carriers attempt to put up fares on the first leg of a connecting itinerary.

6.6 In relation to business travellers specifically, New Zealand Department of Statistics data indicate that only 16% of outbound passengers are travelling for business purposes. Some of these will be travelling on the services of other carriers. Thus, at most, only 16% *of the 18% of Auckland – Hong Kong point-to-point travellers* could be construed as

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<sup>24</sup> Refer Tretheway paragraph 3.1.14

having potential for a negative effect of the alliance. This is a very small percentage of the passenger travelling on the alliance partners' flights. Further, these are the passengers who will most value the access to the flights of both carriers providing an important offsetting benefit.<sup>25</sup>

- 6.7 Additional pricing constraint is also imposed by the presence of competing *destinations*, such as Shanghai, Beijing and Singapore and other points in South East Asia – all of which are well served by large, international carriers.

As at February 2012, Statistics New Zealand data from passenger arrival and departure cards for short term travel between Auckland and Hong Kong shows only 28% of people are travelling for holiday reasons and 43% are visiting friends and relatives, both segments for whom competing destinations are likely to be an option.

- 6.8 Air Services Agreements, from what we can establish, are generally not a barrier to entry by other carriers in the market between the Pearl River Delta and New Zealand<sup>26</sup>.
- 6.9 Not only are entry barriers modest to low, there are several carriers which are poised for potential entry into the market. Poised carriers are those already present at either an origin or destination point in the market, which could enter onto one or more of the market's routes<sup>27</sup>. These are:

- Hong Kong Airlines

This carrier is a Hong Kong based airline which could utilise the liberal Hong Kong – New Zealand air services agreement to commence service. The carrier operates A330-200 (and soon A330-300) aircraft which are capable of operating Hong Kong to New Zealand. The carrier does operate long haul routes from Hong Kong to the UK, and thus should not face operational limitations on entry.

- Jetstar

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<sup>25</sup> Refer Tretheway paragraph 3.1.16.

<sup>26</sup> Refer Tretheway paragraph 3.1.9. It is worth noting that in relation to fifth freedom rights exercised over Hong Kong, we do not have visibility of all the relevant Air Services Agreements, many of which are kept confidential by the relevant Governments.

Qantas owned Jetstar could be reorganised into an Australian owned carrier for service to/from/within Australia and New Zealand, and a New Zealand based subsidiary with New Zealand investors. Such a structure could allow it to utilise existing or additional Jetstar long haul aircraft (e.g. A330) to operate from New Zealand to Hong Kong. Jetstar operates A330-200 aircraft which are capable of operating the route, and the carrier has additional such aircraft on order. Jetstar also has fifteen 787-8 aircraft on order, which are also capable of operating the route, and would do so at lower cost than the A330.

- Jetstar Hong Kong

On 26 March 2012, Qantas and China Eastern Airlines (based in Shanghai) announced that they will be equal owners in a Hong Kong based airline to be named Jetstar Hong Kong. Jetstar Hong Kong has yet to be approved by the Hong Kong Government, and there are several questions regarding its eligibility to receive a Hong Kong operating permit due to its foreign ownership structure. According to press statements, the carrier initially will operate shorter range aircraft (e.g., A320), but longer range aircraft could be added at some point, similar to the addition of longer haul A330 aircraft by Jetstar (Australia).

- Various 5th freedom carriers

Many of the treaties between New Zealand and foreign nations allow European carriers to operate from Hong Kong to New Zealand. As an example, the UK carriers British Airways and Virgin Atlantic operate from the UK to Hong Kong. Either or both of these would be able to operate Hong Kong to Auckland (or Christchurch). There is nothing in the New Zealand – UAE air services agreement that prevents entry by Middle Eastern carriers, but we do not have visibility of the air services agreement between the Governments of Hong Kong and UAE, which would also need to be constructed to allow a Middle Eastern carrier to operate fifth freedom traffic via Hong Kong.

6.10 In the opinion of Mike Tretheway, access to airport slots is not a barrier to entry for any New Zealand airport, and is not an insurmountable barrier for the airports in the Pearl River Delta.<sup>28</sup> However, Air NZ's experiences in China would point to there being some difficulties in accessing China airport slots, at commercially viable times of the day for both arrivals and departures.

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<sup>27</sup> Refer Tretheway Section 6.

- 6.11 A feature of the landscape in New Zealand is a light handed airports regulatory regime which allows airports to “set prices as they see fit” pursuant to the Airports Authority Act.
- 6.12 As a consequence of having such high levels of profitability, several key airports in New Zealand have adopted a strategy of offering up funds to attract new longhaul services into New Zealand. These funds take on different forms and amounts, and some details have been disclosed in confidence to Air New Zealand. To the extent that we have an obligation of confidentiality in relation to any details, we are unable to disclose the details and Ministry of Transport would need to make its own enquiries.
- 6.13 In relation to Wellington Airport, the Wellington City Council has publicly announced and promoted a “Wellington City Council” fund of between NZ\$10 – 15 million to attract any carrier willing to provide long haul flights from Wellington Airport to Asia.
- 6.14 In relation to Auckland and Christchurch, representatives from both of AIAL and CIAL have in the past three months travelled to China and Indonesia and held discussions with representatives of foreign airlines in relation to providing new services to their airports in New Zealand.
- 6.15 Although the recent underwrite by Christchurch International Airport of Air Asia X services between Kuala Lumpur and Christchurch lasted only 13 months this does not undermine the viability of services that are attracted by way of airport incentives. Indeed it demonstrates the ability of airports to incentivise new entry through fee concessions. Air Asia X publicly indicated that its decision to come off this route was due to average fuel prices increasing by 36% over the year, in conjunction with the global economic crisis which saw its profit fall 47%.

## **7. NO LEGAL REASONS FOR THE MINISTER REFUSING TO AUTHORISE THE ALLIANCE**

### **7.1 Introduction**

The Minister’s discretion to authorise the Alliance is provided for in section 88(2) of the Civil Aviation Act (“CAA”). The Parties believe the Alliance meets the test for authorisation and the Minister should exercise his discretion to grant an authorisation.

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<sup>28</sup> Refer Tretheway paragraph 5.2.12.

Sections 88(3) and (4) of the CAA provide specific reasons for the Minister to decline to authorise, although they are subject to an override in section 88(5) if the Minister believes that to decline authorisation would have an undesirable effect on international comity. For the reasons discussed below:

- none of the reasons set out in sections 88(3) and (4) apply in respect of the Alliance; and
- furthermore, declining authorisation would have an undesirable effect on international comity between New Zealand and Hong Kong and accordingly, section 88(5) provides a distinct reason for the Minister to exercise his discretion in favour of authorising the Alliance.

## 7.2 No infringement of section 88(3)

The Minister's authorisation of the Alliance will not prejudice New Zealand's compliance with any relevant international conventions, agreements or arrangements.

Of particular relevance, the Air Services Agreement between Hong Kong and New Zealand dated 22 February 1991 expressly contemplates the consultation about tariffs by airlines of each state and therefore any authorisation cannot be said to prejudice compliance with that agreement. Article 7 (Tariffs) states:

*“Any of the designated airlines may consult together about tariff proposals, but shall not be required to do so before filing a proposed tariff. The aeronautical authorities of each Contracting Party shall not accept a filing unless the designated airline making such filing gives an assurance that it has informed the other designated airlines of the proposed tariffs.”*

## 7.3 No infringement of section 88(4)

The Parties believe that the Minister cannot decline the Alliance under section 88(4) as the Alliance includes no provision that would infringe s88(4)(a)-(f).

### (a) **No infringement of section 88(4)(a)**

The Alliance makes no provision for either Party to directly or indirectly enforce the Alliance through any form of action by way of fines or market pressures against any person.

**(b) No infringement of section 88(4)(b)**

The Parties understand the only commission regimes issued by the Minister which are currently in force under section 89 of the CAA are the Civil Aviation (Passenger Agents' Commission Regime) Notice 1983 and the Civil Aviation (Cargo Agents' Commission Regime) Notice 1983.

The Alliance does not have the purpose or effect of breaching the terms of either of these commission regimes.

**(c) No infringement of section 88(4)(c)**

The Alliance is likely to enhance the availability of competitive fares on the Alliance Routes. For reasons set out in Section 4 of this application for authorisation, the Alliance will improve outcomes for consumers of international air services.

At present, consumers have wide access to competitive fares on direct Auckland flights to and from the Pearl River Delta, and on indirect flights from all other New Zealand ports to and from the Pearl River Delta via, for example, Auckland, Christchurch, Sydney and Singapore.

In that context, neither Party can be said to unjustifiably discriminate between consumers of international air services in the access they have to competitive tariffs. To the contrary, consumers are more likely to have greater access under the Alliance:

- The Parties will continue to set fares having regard to existing and potential competition from other carriers i.e., they will continue to set “competitive fares”.<sup>29</sup>
- The Parties will continue to make those fares widely available – their distribution strategy will be determined having regard to existing and potential competition, and the costs and benefits of various distribution channels. Rather than restricting access, the Alliance will enhance the availability of

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<sup>29</sup> See NAAA clause 4.5(f)(i)

fares for travel on the Alliance Routes as the Parties will co-ordinate their marketing and sales activities on the Alliance Routes.<sup>30</sup>

- Through access to more lower priced inventory through seat management efficiencies under the Alliance, as discussed in Section 4.

Accordingly, neither the Alliance viewed as a whole nor any other provision of the Alliance will undermine consumers' wide access to competitive fares either from the Parties or their competitors on Alliance Routes. Indeed, the opposite is the case.

(d) ***No infringement of section 88(4)(d)***

The Alliance's tariff provisions will not have the effect of excluding any airline from operating on Alliance Routes<sup>31</sup>:

- The Parties will continue to set tariffs having regard to existing and potential competition from other carriers on all routes on which they operate. Authorisation will not have any flow-on impact in terms of ASAs or other regulatory conditions that would impact another airline's access to the Alliance Routes.
- Further, given the low barriers to entry within the Pearl River Delta, and the existence of strong, established international competitors, the Parties will have no incentive to set tariffs so as to exclude any person from providing international air services on any of the Alliance Routes (or any other routes).

(e) ***No infringement of section 88(4)(e)***

Clause 12.2 of the NAAA expressly provides that both Parties are free to independently seek approval, in terms of Section 90 of the CAA, for the purpose of selling international carriage by air at any other tariff so approved.

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<sup>30</sup> See NAAA clause 4.5(f)(ii)

<sup>31</sup> See NAAA clause 4.5(f)(iii)

(f) **No infringement of section 88(4)(f)**

No penalty is payable under the Alliance when a Party withdraws after the initial 5 year term on reasonable notice. In addition, no penalty applies in the event a Party suspends its services on Alliance Routes during the initial 5 year term<sup>32</sup>.

The Parties intend that the Alliance will operate for a period of no less than five years from the date on which regulatory authorisation is received to the parties satisfaction. An initial term of that duration is appropriate for commercial arrangements of this nature. It can be terminated early in specific circumstances. This period (which is only 10 scheduling seasons) complies with section 88(4)(f):

- A period of five years is necessary in order to realise the benefits of the Alliance. The successful implementation of the Alliance will require significant investment by both Parties to implement product and service enhancements, develop the necessary information technology, and align sales and services on Alliance Routes.
- Having regard to previous MOT decisions, several have accepted that certain arrangements justify a 5 year time period, including:
  - Air New Zealand / United Expansion Agreement: a period of 5 years (4 years with 12 months' notice for termination) was considered to comply with section 88(4)(f).
  - Air New Zealand / Ansett / Singapore: a period of 5 ½ years was considered to comply with section 88(4)(f); this alliance involved extensive code sharing and revenue sharing.
  - The Virgin Alliance was expressed to be for 5 years, but requires resubmission to the relevant regulators in Australia and New Zealand after 3 years to meet specific requirements of regulators in relation to that arrangement.

## 7.4 International comity

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<sup>32</sup> See NAAA clause 9.5

If the Minister considers, contrary to the view of the Parties, that the Alliance does not comply with any of section 88(4)(a)-(f), he can nevertheless authorise the Alliance under section 88(5) if declining authorisation would have an undesirable effect on international comity between New Zealand and another state.

Declining authorisation would have an undesirable effect on international comity between New Zealand and Hong Kong. Accordingly, international comity provides a distinct reason for the Minister to exercise his discretion in favour of authorising the Alliance.

As discussed above, arrangements between carriers are consistent with the Hong Kong and New Zealand ASA. The Parties believe authorisation should be granted in New Zealand on the basis that the Alliance creates net public benefits for the New Zealand economy.

In those circumstances, declining authorisation for the Alliance would prevent Hong Kong from realising net public benefits for its economy from an arrangement that is expressly contemplated in the ASA between New Zealand and Hong Kong.

## 8. SUMMARY

8.1 The purpose of the NAAA and the Implementing Agreements is to:

- Achieve load factor improvements, cost savings and other efficiencies providing scope for reduced fares
- Provide an enhanced offering to stimulate travel and tourism
- Ensure the ongoing sustainability of each Party's services between Auckland and Hong Kong
- Provide connecting passengers with more and better connections to points in Asia and UK/Europe
- [ ]
- Offer customers loyalty benefits on more flights between New Zealand and Hong Kong

- 8.2 Section 3 discussed the background to the market and defined it as including travel from New Zealand to the Pearl River Delta. This is due to the appreciable volumes of traffic that move from Hong Kong via other airports in the region and vice versa.
- 8.3 Section 4 discussed the overall benefits of the Alliance, and section 6 set out the reasons why fares on the relevant routes will not be adversely affected and why consumer detriments are assessed to be low.
- 8.4 Section 7 set out why the Alliance does not breach any of the provisions in S.88 of the CAA which limit the minister's discretion to grant an authorisation.
- 8.5 For the reasons set out in this Application, the Parties submit that the Minister should exercise his discretion to authorise the Alliance.

Air NZ considers the Alliance is capable of authorisation by the Minister under S.88 of the CAA, that the matters outlined above justify the granting of a specific authorisation of the NAAA, the Code Share Agreement and the proposed Implementing Agreements pursuant to S.88 of the CAA.

Yours sincerely

**John Whittaker**  
GM Alliances & Government Relations

**Andrea Haggitt**  
Manager Alliances

**Appendix 1 : The North Asia Alliance Agreement and Code share Agreement**

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**[CONFIDENTIALITY CLAIMED IN RELATION TO THE NORTH ASIA ALLIANCE AGREEMENT  
AND THE CODE SHARE AGREEMENT]**

## **Appendix 2 : Summary of the Alliance Agreement**

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**[CONFIDENTIALITY CLAIMED IN RELATION TO APPENDIX 2: SUMMARY OF THE NORTH ASIA ALLIANCE AGREEMENT]**

**Appendix 3: Expert Statement of Dr Michael W. Tretheway**

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**[CONFIDENTIALITY CLAIMED IN RELATION TO APPENDIX 3: EXPERT STATEMENT OF DR  
MICHAEL W. TRETHEWAY]**

#### Appendix 4: Relativity of Air New Zealand fares between Auckland and Hong Kong, and Auckland and Shanghai

Underlining indicates where there are fractional differences between published fares on the relevant sectors

From	To	Travel Period	Economy								Premium Economy				Business Premier			
			T	W	V	Q	H	M	B	Y	A	O	E	U	J	Z	D	C
AKL	HKG	15Feb-15Nov	-		1700	1800	1900	2100	2400	2800	-	-	-	-	-	-	-	-
		16Nov-14Feb	-		1900	2100	2300	2500	2800	3200	-	-	-	-	-	-	-	-
		1Jan-31Dec	-		-	-	-	-	-	-	-	<u>3200</u>	<u>3500</u>	<u>3900</u>	6000	6500	7000	8000

From	To	Travel Period	T	W	V	Q	H	M	B	Y	A	O	E	U	J	Z	D	C
			AKL	PVG	15Feb-15Nov	-	1600	1700	1800	1900	2100	2400	2800	-	-	-	-	-
16Nov-14Feb	-	-			1900	2100	2300	2500	2800	3200	-	-	-	-	-	-	-	-
1Jan-31Dec	-				-	-	-	-	-	-	-	<u>3000</u>	<u>3300</u>	<u>3700</u>	6000	6500	7000	8000

**Appendix 5: Summary of Airline services from Pearl River Delta to New Zealand as at  
March 2012 – Table 4-2 in Expert Statement of Dr Michael W. Tretheway**

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**[CONFIDENTIALITY CLAIMED IN RELATION TO CONTENTS OF APPENDIX 5]**

The following table displays carriers listed in the Official Airline Guide operating non-stop or one stop service between the Pearl River Delta airports and Auckland and Christchurch in New Zealand, along with their average weekly frequencies.

[ ]

**Appendix 6: Special Prorate Agreement [ ]**

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[CONFIDENTIALITY CLAIMED IN RELATION TO THE CONTENTS OF APPENDIX 6]

**Appendix 7: Interline destinations – Connectivity [CONFIDENTIALITY CLAIMED IN RELATION TO TABLES CONTAINED IN APPENDIX 7 ]**

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- The following data is a snapshot of flights in and out of HKG airport on Friday 13<sup>th</sup> April, and is reflective of the Northern Summer schedule season.
- It provides all of the landings and departures at Hong Kong airport to highlight the additional connectivity created for Alliance passengers from each of Air NZ and Cathay's current flights using an minimum connection time of 90 minutes and a maximum connection time of 4 hours.
- [ ]

A. [ ]

**B. [ ]**