
Confidential Annexure A - Executed Agreements

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Annexure B - Virgin Australia Group



B1 Introduction

The Virgin Australia Group (**Virgin Australia**) commenced operations in Australia in August 2000. Virgin Australia Holdings Limited (**VAH**) is listed on the Australian Stock Exchange.¹ Virgin Australia currently operates 110 aircraft on approximately 3000 flights per week to 51 Australian and international destinations under the following brands.

- Virgin Australia; and
- Virgin Samoa (a joint venture with the Samoan Government).

B2 Brief history of the airline's transformation from Virgin Blue to Virgin Australia

Virgin Australia was initially launched as Virgin Blue, a Low Cost Carrier (**LCC**) serving a small number of domestic Australian routes. It then grew to include a short haul international airline branded Pacific Blue, a long haul international airline branded V Australia and a joint venture with the Samoan government branded Polynesian Blue.

Since its entry nearly 13 years ago, Virgin Australia has made a number of changes to its business model in order to take account of changing conditions in the Australian (and global) aviation industry and to pursue opportunities to increase its share of passengers and its profitability.

In late November 2005, Virgin Blue re-defined its business model and announced its move towards becoming a New World Carrier (**NWC**). A NWC is a low cost, high value airline that aims to attract a broader cross-section of passengers than the traditional LCC model, through leveraging the airline's low cost foundations and adding valuable new products which appeal to higher yielding passengers. This NWC strategy allowed Virgin Blue to continue low cost operations while strengthening yields and profitability. As part of this strategy, Virgin Blue introduced additional services including Velocity, The Lounge, self check-in kiosks, premium economy, Corporate Plus fares and Blue Holidays. Virgin Blue also expanded its network reach by purchasing new aircraft and adding new destinations to its network as well as commencing interlining arrangements with other airlines.

Since John Borghetti's appointment as CEO in May 2010 Virgin Australia has pursued its 'Game Change' strategy, designed to attract higher yield corporate and business passengers while remaining attractive to leisure passengers. Virgin Australia's Game Change strategy is to improve its network and product in order to expand its passenger base and challenge its closest competitor Qantas across more market segments, providing enhanced choice and competition for all Australian passengers.

On 4 May 2011, the Virgin Australia name and brand was introduced for the airline's domestic operations as part of its Game Change strategy. The brands Virgin Blue, Pacific Blue and V Australia were replaced by the single brand Virgin Australia and Polynesian Blue was renamed Virgin Samoa.

B3 Game Change Strategy

The Game Change Program² involves a vision of Virgin Australia:

¹ Virgin Australia's international airlines are held by Virgin Australia International Holdings Pty Ltd, which is owned by VAH shareholders and comprehensively serviced and funded by VAH.

² The Game Change Program was launched following the appointment of John Borghetti as CEO. For more information see: ASX release, *Virgin Blue Announces John Borghetti New CEO*, 2 March 2010; ASX release, *The Virgin Blue Group*

- as the airline of choice by 2012;
- as Australia's best customer led organisation; and
- doing for corporate travellers what it did for leisure travellers.

The vision has been implemented by reference to five key strategic pillars:

- 1 maximise Virgin Australia's network to use its planes more productively;
- 2 establish an international network of airline partners to offer global flight coverage;
- 3 grow Virgin Australia's share of the corporate and government markets;
- 4 maintain Virgin Australia's strong presence in the leisure market; and
- 5 enhance Virgin Australia's strong and trusted brand by improving the look and feel of its service.

During the last two years, Virgin Australia has made significant progress in its goal to create a seamless, first-rate experience for customers, both in the air and on the ground. A key part of this was updating the look and feel of the product in line with the new Virgin Australia identity and the introduction of a range of new service initiatives designed to enhance the end-to-end customer experience. This saw Virgin Australia overhaul the interiors of its aircraft, launch new airport lounges and commence the refurbishment of key airport terminals.

Figure B1: New Virgin Australia livery



of Airlines Announces First Phase of Network Review, 16 August 2011; ASX release, Virgin Blue Confirms Positive 2010 Results in Line with Forecast, 26 August 2010.

Figure B2: New Boeing B737 interiors



As part of its Game Change Strategy, Virgin Australia has also undertaken the following initiatives in order to improve its product and service offering and ensure that it appeals to the full range of travellers.

- The **launch of Business Class** across the majority of the domestic network. Following the implementation of Business Class across trans-continental services on 28 September 2011 and across the domestic network on 18 January 2012, Virgin Australia carried double the number of Business Class passengers it carried in the prior corresponding period.
- The **migration to a single reservation system – SabreSonic** (from the existing dual platforms of Amadeus and Navitaire) in January 2013.³ Use of a single integrated technology platform for managing reservations and revenue will provide enhanced guest recognition and enable seamless integration with partner airlines. Virgin Australia is now able to adopt consistent, streamlined industry standard (IATA) practices and processes. As part of this transfer, Virgin Australia now operates under a single IATA designator.⁴
- The **realignment of Virgin Australia's aircraft fleet** – with the exit of the Embraer 170 aircraft, the exit of the majority of the B737-700 aircraft, the introduction of ATR-72 turbo prop operations and the arrival of new wide-bodied Airbus A330 aircraft.
- The **launch of mobile functionality** – in 2012, Virgin Australia introduced mobile boarding passes and a 'flight specials' app.⁵
- The **relaunch of the Velocity Frequent Flyer loyalty program** early in the 2012 financial year to offer global coverage, a range of new partners and unique benefits for members. Since then, the program has gone from strength to strength, growing to **[CONFIDENTIAL]** members at the end of the 2012 financial year, up from **[CONFIDENTIAL]** at the end of the previous year. Virgin Australia also has frequent flyer agreements with Air New Zealand, Delta Air Lines, Skywest, Virgin Atlantic, Virgin America, Etihad, and Singapore Airlines. In addition, Virgin Australia has partnered with a range of non-airline partners, including Westfield (discussed further below).

³ Virgin Australia media release, *Virgin Australia Enhances Guest Experience with Sabre*, 23 November 2011; Virgin Australia media release, *Virgin Australia Transitions to New Sabre Checking and Booking System*, 14 January 2013.

⁴ From 14 January 2013, all Virgin Australia flights have been designated with the IATA code 'VA'. This is a change from the code 'DJ' which has been used by Virgin Blue / Virgin Australia and Pacific Blue since foundation. Previously only Virgin Australia's international limb used the 'VA' IATA code.'

⁵ Virgin Australia media release, *Virgin Australia launches Mobile Boarding Passes and New Flight Specials App for iPhone*, 5 July 2012. See website: www.virginaustralia.com/au/en/about-us/media/2012/FLIGHT-SPECIALS-APP

- The **expansion of the Virgin Australia network**. Since the initial authorisation of the Alliance in December 2010, Virgin Australia has:
 - expanded its international flight network through strategic alliances with Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines enabling Virgin Australia to cover all key international markets with four of the best airlines in the world; and
 - grown its regional network with the ‘wet leasing’⁶ of up to 18 new turboprop aircraft operated by Skywest and a corporate alliance and codeshare relationship with Skywest, enabling Virgin Australia to service additional regional destinations.⁷
- The **continued growth in services to new domestic and regional leisure destinations** including the introduction of services to Ayers Rock (Uluru), and growth in services to Hamilton Island and Queenstown.
- More recently, Virgin Australia has sought to expand its presence in the provision of corporate and government travel through the **acquisition of Skywest Airlines**.
- Virgin Australia has also **sought to expand its operations by manner of a joint venture with Tiger Airways**.
- **Simplification of the fare classes** on domestic and short haul international services including Saver, Flexi or Premium (Premium Economy / Business) fares. This provides more transparency and better value across the fare classes.⁸ The Flexi fare family, which is fully inclusive of food and beverage and in-flight entertainment, was introduced in 2011.
- For Business passengers and Velocity Platinum and Gold members, **priority check-in** is now available at most airports, as well as priority boarding and screening.
- **The revision of on-board food and beverage services** including the:
 - introduction of complimentary tea, coffee and water across all services; complimentary beer and wine on selected mainline services; the redesign of the “buy on board” catering offering; as well as fully inclusive food and beverage offerings to all guests on regional, trans-continental and intra-WA services.
 - introduction of an exclusive food and beverage menu designed by celebrity chef Luke Mangan for both domestic and international services, with a focus on fresh Australian produce.
- **The refresh of lounge interiors and lounge product designs**, as well as new lounges in Coolangatta and Mackay.
- **The introduction of Australia’s first premium valet service** and direct lounge entry at Sydney Domestic airport, offering premium guests a streamlined, hassle-free experience. A similar product, Brisbane Premium Valet, was introduced in March 2012 and offers kerbside valet parking on a pay-per-use basis.
- The introduction in 2011 of **stylish new uniforms** for all staff who deal with guests.

⁶ A wet lease is a leasing arrangement whereby one airline (lessor) provides an aircraft, complete crew, maintenance, and insurance to an airline (the lessee), which generally pays by hours operated.

⁷ Virgin Blue media release, *Virgin Blue and Skywest sign 10 year strategic alliance to create regional network*, 10 January 2011, http://www.virginaustralia.com/au/en/about-us/media/2011/D_020243/.

⁸ Virgin Australia media release, *Proudly Introducing New Fares from Virgin Australia*, 23 May 2011, http://www.virginaustralia.com/au/en/about-us/media/2011/D_020268/.

B4 Success of the Game Change Strategy

Virgin Australia has received positive feedback from customers as a result of this transformation and this is reflected in the awards that it has won over the past year.

At the 2012 Skytrax World Airline Awards, Virgin Australia won “Best Airline” and “Best Airline Staff Service” in the Australia-Pacific region, the latter award for the second consecutive year. Additionally, Virgin Australia’s international operations won Best in Region (Asia and Australasia), Best Food and Beverage and Best Inflight Entertainment User Interface at the 2011 Airline Passenger Experience Association Passenger Choice Awards.

B5 Operations and fleet

Virgin Australia Group operates services to 34 Australian and 17 international destinations including the USA, UAE, New Zealand, Indonesia, Thailand, Papua New Guinea, Fiji, Samoa, Solomon Islands, Tonga, Vanuatu and the Cook Islands.

Figure A3: Virgin Australia fleet

Aircraft type	Number in fleet	Seats
A330-200	5	278 / 279
B737-700	4	128
B737-800	68	170 / 176 / 180
B777-300ER	5	361
Fokker 100	2 ⁹	100
Embraer 190	18	98
ATR72-500	8 ¹⁰	68
Total	110	

(a) Long haul international operations and virtual international network

Virgin Australia’s international flight network has recently seen significant expansion through authorised alliances with Air New Zealand, Etihad Airways, Delta Air Lines and Singapore Airlines, connecting passengers to Europe via the Middle East and Singapore, to destinations throughout Asia and onwards to India, Africa and the Middle East, to numerous cities within the US and beyond to Canada and Mexico and providing access to more Trans Tasman frequencies and destinations.

Virgin Australia’s long haul international airline was launched as a full service carrier in 2009, offering services on the trans-Pacific and to the Middle East, on the following routes:

- Sydney-Los Angeles currently daily (commenced February 2009).
- Brisbane-Los Angeles currently four flights per week (commenced April 2009).
- Melbourne-Los Angeles currently three flights per week (commenced December 2009).
- Sydney-Abu Dhabi currently three flights per week (commenced February 2011).

⁹ Operated by Alliance airlines under wet lease (to be returned February 2013).

¹⁰ Operated by Skywest under the ARAN.

Virgin Australia currently operates a fleet of five Boeing B777-300ER aircraft for its international services. The Boeing 777-300ER aircraft offers 361 seats - 33 Business Class lie-flat beds, 40 Premium Economy club seats and 288 Economy seats configured as follows:

- **International Business Class**, a 2-3-2 configuration with a fully horizontal 6'2" flat bed. This class offers a personal work station with laptop power, USB slot and 12.1" touch screen for in-flight entertainment.
- **International Premium Economy Class**, a 2-4-2 configuration with 38" seat pitch, 20" seat width and recline of up to 9". The seats are leather and have adjustable head and footrests. This class also offers a personal work station with laptop power, USB slot and 10.6" touch screen for in-flight entertainment.
- **International Economy Class**, a 3-3-3 configuration with 32" seat pitch, 18.8" seat width and recline of up to 6". It offers USB power and a 9" touch screen for in-flight entertainment.

Virgin Australia currently has arrangements to provide international lounge facilities to International Business Class passengers and Gold Velocity frequent flyer members. Virgin Australia passengers travelling on services to Los Angeles also have access to Air New Zealand Lounges in the Sydney, Brisbane and Melbourne international terminals. Gold Velocity members (and Business Class guests) have access to Delta Lounges in the USA if flying onwards with Delta and also Virgin Atlantic Clubhouses if flying onwards on a Virgin Atlantic flight.

(b) Short haul international operations

Virgin Australia currently has aircraft based in both Australian and New Zealand ports. Virgin Australia operates a fleet of 68 Boeing 737-800 aircraft.

Virgin Australia operates services on Trans Tasman routes between Australia and New Zealand, Fiji, Thailand, Vanuatu, Papua New Guinea, the Cook Islands, the Solomon Islands and Tonga as a designated Australian international carrier. It also operates services to Denpasar.

Virgin Australia also has a joint venture with the Samoan Government to run its national airline Virgin Samoa. It operates between Sydney, Brisbane, Auckland and Apia with capacity equivalent to a single Boeing 737-800.

(c) Domestic operations

Virgin Australia currently operates approximately 2,800 flights a week to 29 Australian destinations from its primary hubs in Brisbane, Sydney and Melbourne. As at 25 October 2012, it operated a fleet of Boeing 737, Embraer E-Jet 190 and A330 aircraft for its domestic services. The Boeing 737 Business and Economy Class interiors that were introduced as part of the new branding have been rolled out across Virgin Australia's current domestic fleet over 2012.

(d) Regional operations

In January 2011, Virgin Australia and Skywest entered into the ARAN, a wet lease agreement, which is part of a long term strategic alliance, in order to service regional Australia.

Currently, Skywest operates 8 ATR72 turboprop aircraft for Virgin Australia under the ARAN, which provide regional east coast services.¹¹

¹¹ A ninth ATR is due to commence service in February and a tenth in March 2013.

B6 Codeshare and interline partners

Virgin Australia has entered into a range of codeshare and interline arrangements with partners, which provide travellers with access to a global airline network (see Figure B4). These partners include its strategic Alliance partners Air New Zealand, Delta Air Lines, Etihad, Singapore Airlines, Silk Air and Skywest. Virgin Australia also has interline arrangements with the following carriers for inbound and outbound traffic to/from Australia and New Zealand: Aerolíneas Argentinas, Aircalin, Air Austral, Air Mauritius, Air Tahiti Nui, Airlines PNG, Cathay Pacific/Dragon Air, China Southern, Emirates, Garuda Indonesia, Hawaiian Airlines, Malaysia Airlines, Qatar Airways, Royal Brunei, South African Airways, Singapore Airlines and Silk Air, Thai Airways, Vietnam Airlines and Virgin Atlantic.

Figure B4: Virgin Australia's destinations including codeshare and interline¹²

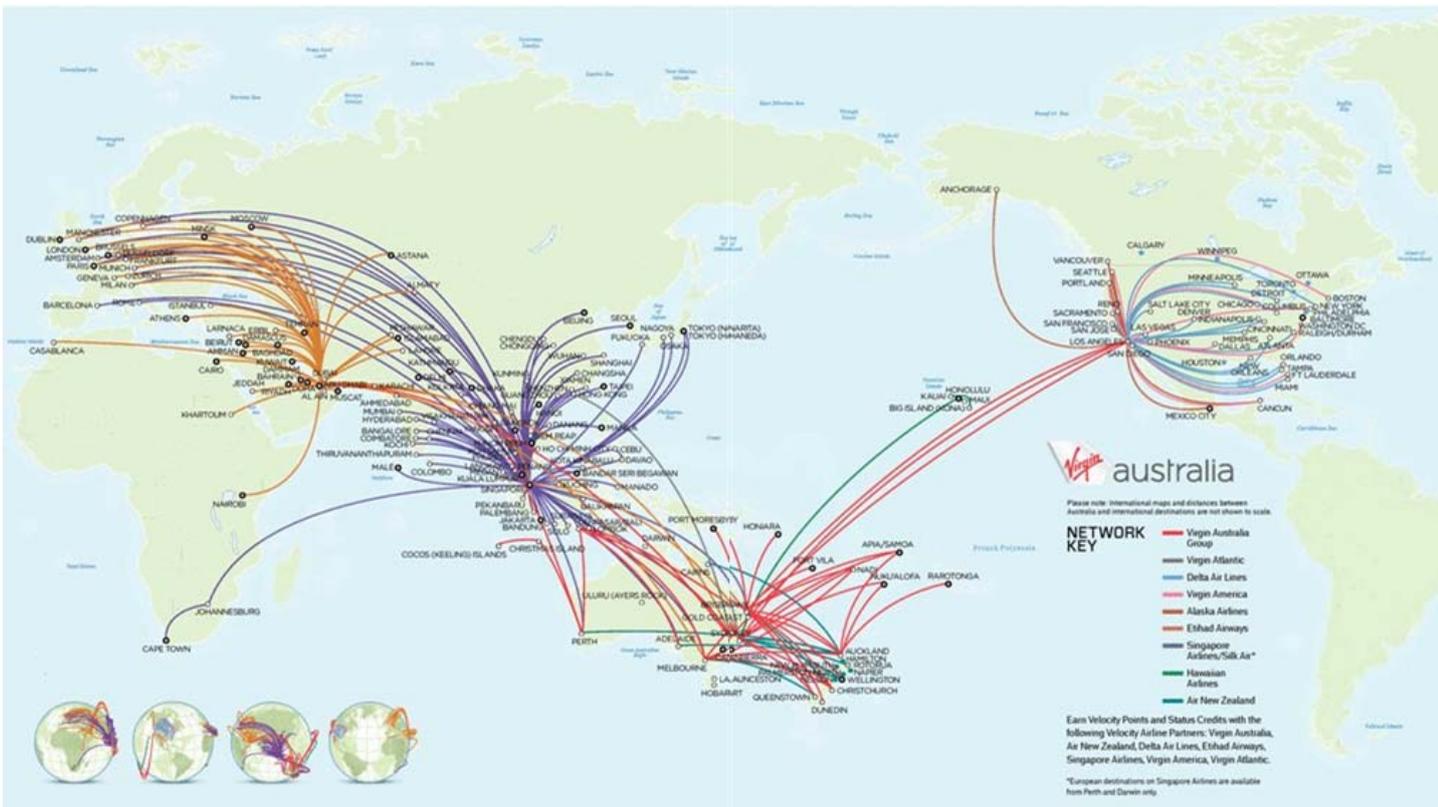


Figure B5: Virgin Australia's Domestic and New Zealand destinations¹³



¹² <http://voyeur.realviewtechnologies.com/#?startpage=184&iid=72051>.

¹³ <http://voyeur.realviewtechnologies.com/#?startpage=184&iid=72051>.

B7 Velocity Frequent Flyer and the Virgin Australia Lounges

Velocity, Virgin Australia's loyalty program, was launched in November 2005. Velocity allows members to earn and redeem Velocity Points on Virgin Australia Group flights and on a range of products and services with Virgin Australia's Program Partners, as well as global lounge access with Virgin Australia's reciprocal partners. Virgin Australia has frequent flyer agreements with Air New Zealand, Delta Air Lines, Skywest, Virgin Atlantic, Virgin America, Etihad, and Singapore Airlines, Virgin Samoa, Hawaiian Airlines, and Airlines PNG.

The program was relaunched in August 2011. Virgin Australia made changes to the way status credits are earned in preparation of the relaunch and to make the Velocity program easier to compare with other frequent flyer programs around the world:

- status credits are earned based on fare class purchased and miles flown rather than per dollar spent; and
- the number of status credits required to upgrade and maintain the level of membership as well as the rate at which status credits are earned has been adjusted.

As part of the relaunch of Velocity, Virgin Australia ran a promotion offering an instant Velocity 'status match' deal for Qantas frequent flyer members with silver, gold or platinum status. An on-the-spot upgrade was offered to the equivalent level of Velocity membership, valid for 12 months.

Virgin Australia has also expanded the Velocity program's appeal by partnering with a range of non-airline partners, including Westfield, Hilton Worldwide and Europcar.

There are currently almost **[CONFIDENTIAL]** members of Velocity.

Lounge facilities are located at the Sydney, Melbourne, Brisbane, Adelaide, Canberra, Perth, Mackay and Gold Coast domestic terminals. Virgin Australia Business and Premium Economy customers, Velocity platinum and gold and airline partner reciprocal status members receive complimentary access to the Virgin Australia Lounge. Passengers can also benefit from a more stream lined, fast tracked screening and entry process at selected airports including:

- Australia's first premium valet service and direct lounge entry at Sydney Domestic airport;
- a Melbourne Priority Screening security lane; and
- an Express Entry priority queue in Sydney, Melbourne and Brisbane lounge receptions.

Annexure C – Air New Zealand



C1 Introduction

Air New Zealand is New Zealand's national flag carrier offering air services in New Zealand and internationally. It also operates business units and subsidiaries providing engineering, ground handling services, travel retailing services, aircraft interior design and domestic and international cargo.

The New Zealand Government owns approximately 75% of Air New Zealand, with the remainder owned by private investors. Air New Zealand is listed on the New Zealand and Australian stock exchanges.

Air New Zealand itself, or via its wholly owned subsidiaries Eagle Airways, Mount Cook and Air Nelson, operates:

- over 500 domestic New Zealand services per day to 26 destinations throughout New Zealand using a mix of A320, B737-300, ATR and other turboprop aircraft;
- services on 18 Tasman routes at various times throughout the year plus codeshare on a further 4 sectors operated by Virgin Australia;
- services to the Pacific Islands (Rarotonga, Fiji, Vanuatu, Samoa, Tahiti, Noumea, Norfolk Island, Tonga, Niue); and
- twice daily services to London and Los Angeles and services to other international ports in the US, Canada, Japan, China, Hong Kong, and Indonesia.

Air New Zealand provides its international services utilising a fleet of aircraft comprising predominantly B777-300, B777-200ERs, B767 and A320 aircraft. Air New Zealand has been progressively phasing out the older B747 aircraft for the more fuel efficient modern aircraft. Air New Zealand has 10 B787-9 aircraft on order which will gradually replace the B747 and B767 fleets and provide capacity growth.

C2 Strategy

Air New Zealand's strategy, internationally, is to be an Australasian airline with a Pacific Rim focus. With this in mind, Air New Zealand has been strengthening its presence in and around the Pacific and prioritising more profitable international routes such as those to North America and Asia.

Since the authorisation of the Alliance, Air New Zealand has:

- updated its fleet of aircraft to improve efficiency and fleet commonality including the introduction of 777-300 onto its long haul network and the introduction of ATR72-600 and Airbus A320 onto its domestic fleet;
- increased fleet capacity with the addition of new ATR72-600 aircraft, the upgrading of 133 seat B737 aircraft to 168 seat Domestic A320's and the introduction of one new Shorthaul A320 into the fleet;
- reduced airport waiting time by an average of 45 minutes with new kiosks and a streamlined check-in process for international passengers. In November 2012, Air New Zealand introduced Kiosk check-in in Sydney - the first airline in Australia to offer kiosk check-in for international flights. In the first half of 2013, Air New Zealand plans to also roll out kiosks to Melbourne airport;

- reconfigured the Airbus A320 Tasman, Pacific and short haul fleet to one class with 168 seats. In the Applicants original submission on 4 May 2010, Air New Zealand was planning to reconfigure the A320 short haul fleet from 152 seats to 171 seats. However, Air New Zealand listened to customer feedback on the proposed changes and chose to reconfigure the A320 short haul fleet to 168 seats;
- continued to introduce new product enhancements including pre-paid Baggage and pre-paid Seat Select which was introduced in November 2012; and
- won the ATW Airline of the Year award in January 2012 becoming the first airline to win the award twice in 3 years.

C3 Alliances

In November 2012, Air New Zealand received authorisation for its revenue sharing alliance with Cathay Pacific, alongside FFP and lounge arrangements for the alliance's customers travelling between New Zealand and Hong Kong. This relationship creates a strong network beyond Hong Kong providing greater frequency and broader access to passengers travelling to or from mainland China, Europe and India.

Air New Zealand has been a member of the Star Alliance since March 1999. The Star Alliance is the world's largest global marketing alliance with some 27 members, including airlines such as Air Canada, Air China, ANA, Asiana Airlines, Lufthansa, Singapore Airlines, SAS, South African Airways, Thai Airways, Turkish Airlines, United Airlines and US Airways. The Star Alliance provides valuable network and loyalty benefits to customers.

The Star Alliance has no member airline with an Australian domestic presence. Air New Zealand has code share agreements with several Star Alliance members, including United Airlines, Air Canada, Continental and Lufthansa with whom Air New Zealand creates considerable interline revenue from passengers flying on the combined network of the Star Alliance members.

Air New Zealand also has code share or partnering arrangements with a limited number of other airlines outside the Star Alliance including Virgin Atlantic, Etihad Airways and a number of Pacific carriers.

C4 Operations and Fleet

Air New Zealand currently operates the following fleet:

Figure C1: Air New Zealand fleet

Aircraft type	Number in Fleet	Seats
B747-400	2	46 Business Premier, 39 Pacific Premium Economy, 294 Pacific Economy
B777-300ER	5	44 Business Premier, 44 Pacific Premium Economy, 244 Pacific Economy
B777-200ER	8	26 Business Premier Class, 18 Pacific Premium Economy, 269 Economy (Pacific) Class
B767-300ER	5	24 Business Class, 210 Economy (Pacific) Class
Airbus A320 - Shorthaul	13	168 Economy (Pacific) Class
Airbus A320 - Domestic	4	171 Economy (domestic New Zealand)
B737-300	13	133 Economy (domestic New Zealand)
ATR72-500/-600	13	68 Economy Class
Q300	23	50 Economy Class
Beech 1900D	18	19 Economy Class
Totals	104	

C5 Tasman and Pacific Islands product and network

Air New Zealand operates services on 18 direct Tasman routes, 14 on an annual basis, with services from Auckland to Maroochydore and from three Australian destinations to Queenstown operating at peak holiday seasons. These Tasman sectors, plus 9 Pacific Island sectors, connect to and from 26 New Zealand domestic destinations and Air New Zealand's long haul network, in particular North America and the United Kingdom.

Air New Zealand operates a mix of A320, B777-300, B777-200 and B767 aircraft. This variety of fleet types means Air New Zealand can offer passengers a spread of flight times to meet the needs of travellers. For example, by operating widebody services on certain frequencies Air New Zealand can offer business class seats and better serve cargo customers, and also maintain frequency on each sector, while maintaining high utilisation of those aircraft between long haul sectors.

Air New Zealand offers passengers increased choice with the Seats to Suit suite of products whereby passengers can select a Seat, Seat+Bag, Works or Works Deluxe product depending on their needs. It also operates International airport lounges in Brisbane, Sydney, Melbourne, Nadi and Rarotonga.

C6 Domestic New Zealand product and network

Air New Zealand operates over 500 flights per day to 26 centres throughout New Zealand using a mix of A320, and B737-300 jet aircraft operating the main trunk routes between Auckland, Christchurch, Wellington, Dunedin and Queenstown, and turbo prop aircraft serving the regional network. Services are operated either by Air New Zealand or via wholly owned subsidiaries Air Nelson, Mount Cook Airlines and Eagle Airways.

From November 2011, Air New Zealand adapted the successful Trans Tasman Seats to Suit product onto its domestic New Zealand services by offering passengers the option of Seat or Seat+Bag fares.

It operates Koru Lounges in Auckland, Wellington, Christchurch, Dunedin, Hamilton, Napier, New Plymouth, Palmerston North, Nelson, Invercargill and Queenstown.

C7 International Network

Air New Zealand operates its Boeing widebody fleet to 10 long haul destinations including London, Los Angeles, San Francisco, Vancouver, Honolulu, Bali, Osaka, Tokyo, Shanghai and Hong Kong.

On these sectors passengers have the choice of 3 class cabins with Economy Class, Premium Economy (not available on the B767), B767 Business Class or Business Premier on the B777 and B747 aircraft. The B777-300 also offers the Premium Economy Spaceseat and the Economy Skycouch which are award-winning innovations only available on Air New Zealand aircraft.

Annexure D – Trans Tasman Operators

D1 Qantas Jetstar Group: 

(a) Introduction

The Qantas-Jetstar Group positions itself as dominant in the corporate space whilst also having a competitive offering in the low cost space. As stated by Alan Joyce in 2010:

“We operate Jetstar when a route is only marginally profitable for Qantas. Out of Australia, Virgin Blue is our major competitor. They have a good brand and a good cost base. But Jetstar is dominant in the low-cost space and Qantas dominant in corporate space. That combination squeezes Virgin strategically.”¹⁴

Qantas is the national flag carrier of Australia. It has a premium, full-service domestic and global network and has a leading airline loyalty program that has 8.6 million members and more than 500 partners.¹⁵ Qantas frequent flyer membership increased 9% from June 2011 to June 2012, averaging more than 2000 new members a day.¹⁶ It also operates airline related businesses including airport support services, catering, freight operations, defence support services and engineering.¹⁷ Qantas has the largest market share, broadest frequent flyer program and largest proportion of premium and corporate travellers of airlines operating within and to or from Australia.

Jetstar is positioned as the Qantas-Jetstar Group’s low fares airline that operates in New Zealand, Australia and the Asia-Pacific. It began operating Australian domestic services in May 2004, Trans Tasman services in December 2005, other international services in November 2006 and New Zealand domestic services in June 2009.¹⁸ Jetstar is a low cost carrier with a direct sales model, simplified fleet and self-service or user-pays offerings.¹⁹ Unlike other low cost carriers, Jetstar is able to rely on the Qantas’ network presence and brand to improve its own competitive position at little cost to itself. For example, customers travelling on Jetstar services can connect to the Qantas network and are able to earn Qantas frequent flyer points on Jetflex fares. Qantas Club members can also use Qantas lounge facilities when flying on Jetstar. There has been significant expenditure on Jetstar brand promotion.

According to the Qantas Annual Report for 2011, the Qantas-Jetstar Group’s network comprises 208 destinations in 46 countries including Australia and those served by codeshare partner airlines. Domestically, Qantas, QantasLink and Jetstar operate more than 5,700 flights per week. Jetstar also operates more than 200 domestic flights per week in New Zealand. Internationally, Qantas and Jetstar operate more than 970 flights per week.²⁰

¹⁴ Siva Govindasamy, Interview: Qantas chief executive Alan Joyce, *Airline Business*, 23 March 2010 at <http://www.flightglobal.com/articles/2010/03/23/339759/interview-qantas-chief-executive-alan-joyce.html>.

¹⁵ Qantas Annual Report 2012 at p 24.

¹⁶ Qantas Annual Report 2012 at p 24.

¹⁷ QF/EK Draft Determination at par 11, p 9.

¹⁸ March 2010, Qantas Fact File at 5, available at (<http://www.qantas.com.au/travel/airlines/company/global/en>).

¹⁹ Qantas Annual Report 2009 at p 29.

²⁰ Qantas 2011 Annual Report at p 15.

(b) Trans Tasman presence

Qantas offers both business and economy class Trans Tasman services. According to the Diio Mi database,²¹ Qantas' northern winter 2012 direct flight schedule includes Trans Tasman services between:²²

- Auckland-Brisbane;
- Auckland-Melbourne;
- Auckland-Sydney;
- Christchurch-Sydney;
- Melbourne-Wellington;
- Queenstown-Sydney; and
- Sydney-Wellington.

According to the Diio Mi database, Jetstar's northern winter 2012 direct flight schedule includes Trans Tasman services between:

- Auckland-Gold Coast;
- Auckland-Melbourne;
- Auckland-Sydney;
- Christchurch-Gold Coast;
- Christchurch-Melbourne;
- Christchurch-Sydney;
- Melbourne-Queenstown; and
- Queenstown-Sydney.

(c) Fleet

The Qantas Group has taken delivery of 114 new aircraft over the past three years.²³ By the end of 2013, Qantas will operate 32 new aircraft configured with 12 Business and 156 Economy seats.²⁴ These new aircraft will operate on the Trans Tasman and on domestic routes. The Qantas Group shows no signs of slowing its fleet expansion, having committed capital investment worth around US\$23 billion to next generation aircraft such as the Airbus A380, Boeing 787 Dreamliner and Airbus A320 neo. These next generation aircraft will offer the additional advantage of being more fuel-efficient, thus lowering costs.

²¹ Diio Mi (formerly APGDat) is an online aviation data portal that extracts data from Official Airline Guide (including its airline schedule database) and can be used to obtain the latest airline schedules and data on capacity for network planning purposes. Both Virgin Australia and Air New Zealand subscribe to Diio Mi.

²² Qantas route maps available at <http://www.qantas.com.au/travel/airlines/route-maps/global/en>.

²³ Qantas Annual Report 2012 at p 8, available at <http://www.qantas.com.au/infodetail/about/investors/2012AnnualReport.pdf>.

²⁴ Qantas Fleet Developments available at <http://www.qantas.com.au/travel/airlines/fleet-developments/global/en#boeing-737-800>.

In November 2012, Jetstar increased its New Zealand based fleet from eight to nine Airbus A320 aircraft. Jetstar announced that the additional aircraft would be used to increase services between New Zealand's three largest cities and boost flights from Australia to Queenstown. David Hall, CEO Jetstar Australia & New Zealand, noted that the additional aircraft and capacity affirms Jetstar's commitment to New Zealand. He said that "Jetstar is now firmly established in New Zealand and these additional services follow strong growth for Jetstar services. According to Jetstar's announcement the ninth aircraft will add up to 36 weekly return flights to domestic and Trans Tasman routes, increasing capacity by up to 50,000 extra seats every month. Mr Hall also noted that Jetstar would offer four direct flights from Melbourne to Queenstown and up to three from Sydney to Queenstown to spur on inbound tourism to the region."²⁵

The Qantas Group is a member of the **oneworld** airline alliance, as well as being a party to an alliance with British Airways pursuant to a Joint Services Agreement,²⁶ and with American Airlines, pursuant to a Joint Business Agreement. Qantas also has international codeshare arrangements with Cathay Pacific,²⁷ Iberia,²⁸ Japan Airlines, LAN Airlines, Aircalin, Air France,²⁹ Air Niugini, Air North, Air Pacific, Air Tahiti Nui, Air Vanuatu, Alaska Airlines, Asiana, China Eastern, EVA Air, Jet Airways, Kenya Airways,³⁰ Norfolk Air, South African Airways and Vietnam Airlines.³¹

The Jetstar Group (including, for example, Jetstar Asia and Jetstar Japan) has three codeshare partners on select Jetstar routes, being Qantas, Japan Airlines and American Airlines. The Jetstar Group has 25 interline partnerships on select Jetstar routes: American Airlines; Aircalin; Air Canada; Air France; Air Niugini; Air Pacific; Air Tahiti Nui; British Airways; Cathay Pacific; Dragonair; Emirates; Etihad; Finnair; Japan Airlines; Jet Airways; KLM; LAN Airlines; Lan Argentina; Lan Ecuador; Lan Peru; Lufthansa; Qantas; Qatar Airways; Royal Jordanian and United.

D2 Emirates



(a) Introduction

Emirates is the world's largest international carrier by revenue passenger kilometres, operating more than 1,000 flights per week to over 120 destinations across six continents.³² Emirates is a Dubai corporation launched in 1985 and is wholly owned by the Investment Corporation of Dubai, which is wholly owned by the Government of Dubai.³³ It is one of the most profitable airlines in the world with substantial financial resources and significant global strength.³⁴

It is a full service carrier and positions itself as being a market leader in the provision of service improvements and top quality offerings. Emirates flies 70 times per week to Australia from its Dubai hub. It operates three times daily services to Melbourne and Sydney, twice daily services to Brisbane and Perth,³⁵ and is planning to increase its flights to Australia, including an addition to the Adelaide

²⁵ Jetstar Media Releases, 'Jetstar spreads its wings in New Zealand', 19 September 2012 available at <http://www.jetstar.com/mediacentre/latest-announcements/detail?id=dda88062-1400-4919-a992-60fc926dc5b&language=en>.

²⁶ However Qantas has indicated that this will terminate before March 2013.

²⁷ The codeshare arrangement with Cathay Pacific for Hong-Kong-Rome will end in March 2013.

²⁸ Qantas will cease codesharing on Iberia intra-Europe services in March 2013, although Iberia will continue to codeshare on Qantas services.

²⁹ The codeshare arrangement with Air France for Singapore-Paris will end in March 2013.

³⁰ The codeshare arrangement with Kenya Airways for Bangkok-Nairobi will end in March 2013.

³¹ QF/EK Draft Determination, at par 1 and 19, p10.

³² QF/EK Draft Determination at par 21, p 11.

³³ QF/EK Draft Determination at par 20, p 11.

³⁴ Emirates Annual Report 2011/2012 at 8 and 10, available at http://content.emirates.com/english/images/Annual_2011-2012_tcm233-926013.pdf.

³⁵ Australia Business Traveller, *Emirates Launches new Adelaide-Dubai flights today*, available at <http://www.ausbt.com.au/emirates-launches-new-adelaide-dubai-flights-today>.

service and plans to offer three services to Perth per day. Under the Australia / UAE Air Services Agreement Emirates can add another 14 frequencies per week to its existing schedule.³⁶

(b) Trans Tasman presence

Emirates currently operates four daily return flights on the following Trans Tasman routes³⁷

- Auckland-Brisbane;
- Auckland-Melbourne;
- Auckland-Sydney; and
- Christchurch–Sydney.

Emirates has recently upgraded the planes flown on Auckland-Melbourne and Auckland-Sydney to A380s, with 489 seats and a first class cabin with private shower facilities.

On Trans Tasman routes, Emirates utilises fifth freedom rights which allow them to deploy on to the Tasman otherwise idle aircraft that would be waiting on the ground in Australia for the return leg to Dubai. This means that Emirates only has to cover variable costs on these sectors and can accordingly price as a low fare airline whilst offering its high quality FSA service and wide-bodied aircraft. The additional Trans Tasman leg also provides additional “through traffic” for its services to and from Dubai and beyond. The Tasman market is a major market for Emirates in its own right and Emirates operates substantially more capacity across the Tasman than is supported by the demand for its wider service to and beyond the United Arab Emirates. Emirates has provided significant investment and commitment to developing a long-term presence in the Australasian market through the promotion of its brand and Dubai. For example, Emirates is the lead sponsor of Emirates Team New Zealand, the Auckland based sailing team and has for a number of years been the title sponsor of the Emirates Melbourne Cup.

(c) Fleet

Emirates has a fleet of 169 aircraft with a rapid rate of growth and one of the youngest average ages - 77 months.³⁸ In 2011, the Emirates fleet increased by 22 aircraft, and Emirates increased seat capacity across its network by 10 per cent (measured in Available Seat Kilometres).³⁹ Emirates has ordered 50 Boeing 777s for US \$18 billion with options for an additional 20 aircraft and is the largest operator of Boeing 777s (with a fleet of 102) and Airbus A380s (with a fleet of 21).

Emirates is not a member of any global marketing alliance but has codeshare relationships with Air Malta, Air Mauritius, Japan Airlines, Jet Airways, Jet Blue, Korean Air, Oman Air, Philippine Airlines, South African Airways and Thai Airways International.⁴⁰

D3 Qantas/Emirates Alliance



On 20 December 2012, the ACCC issued its draft decision to grant a five year conditional authorisation of the proposed Qantas/Emirates Alliance which allows for broad cooperation on

³⁶ Australia’s Air Services Agreements/Arrangements, available at: <http://www.infrastructure.gov.au/aviation/international/agreements.aspx>; <http://www.ameinfo.com/223910.html>.

³⁷ Emirates flight schedule available at http://content.emirates.com/english/images/JAN13_tcm233-194611.pdf.

³⁸ Emirates Annual Report 2011/2012 at p 45 and p 47 available at http://content.emirates.com/english/images/Annual_2011-2012_tcm233-926013.pdf.

³⁹ Emirates Annual Report 2011/2012 at p 8 and p 10 available at http://content.emirates.com/english/images/Annual_2011-2012_tcm233-926013.pdf.

⁴⁰ QF/EK Draft Determination at par 22, p11.

passenger and freight operations across their respective global networks, including services between New Zealand and Australia, Asia, North Africa, the Middle East, the UK/Europe and, potentially, Southern Africa, the US and South America. The cooperation may also extend to Jetstar in some markets.

On 20 December 2012, Qantas and Emirates applied for interim authorisation in order to allow implementation of their alliance by April 2013. On 17 January 2013, the ACCC granted interim authorisation of the proposed conduct with the exclusion of Trans Tasman services. The ACCC held a pre-decision conference on 1 February 2013 and a final determination is anticipated at the end of March 2013.

The broad cooperation under the proposed alliance would apply to the overlapping services of Qantas and Emirates on the Trans Tasman including: Auckland–Brisbane, Auckland–Melbourne, Auckland–Sydney and Christchurch–Sydney. Jetstar also operates on Auckland–Melbourne, Auckland–Sydney and Christchurch–Sydney.

D4 China Airlines

China Airlines was founded in 1959 and privatised in 1991. As of 31 December 2012, it flies to 112 destinations in 28 countries and regions including Western Europe, Asia, America, Australia, New Zealand and Taiwan.⁴¹ In January 2011, China Airlines began operating three weekly A330-300 Taipei–Brisbane–Auckland services. It then expanded its Trans Tasman operations by starting four weekly A330-300 Taipei–Sydney–Auckland services in October 2012. Like Emirates, China Airlines can offer high quality service in conjunction with low fares based on marginal cost.

China Airlines has a fleet of 72 aircraft, including 51 passenger jets and 21 freighters. Its fleet is primarily comprised of A330-300s and B747-400s. In 2011, China Airlines became a member of the SkyTeam alliance, giving China Airlines' passengers access to an extensive global network.

D5 Lan Airlines

LAN Airlines is Chile's flag carrier. It serves more than 70 destinations in 20 countries including Latin America, Australasia, Europe and the USA. It is a full service airline with lounge access and the LANPASS frequent flyer program. Like Emirates and China Airlines, LAN Airlines can offer high quality service in conjunction with low fares based on marginal cost.

LAN Airlines currently flies Auckland–Sydney return, six times a week using its Airbus 340 (which seats 263 passengers). These flights are an extension of LAN Airlines' services between Santiago and Auckland. LAN Airlines also has a codeshare agreement with Qantas on the LAN Airlines operated flights to Santiago via Auckland and for other destinations in South America.

LAN Airlines and its subsidiaries currently operate 118 passenger airplanes including: Boeing 787 Dreamliners, Airbus 340-300s and Boeing 767-300ER/ERFs. LAN Airlines is a oneworld member and has several code share agreements with other airlines.

⁴¹ China Airlines Fact Sheet available at <http://www.china-airlines.com/en/about/about.htm>.

Confidential Annexure E – Alliance passengers, capacity and load factors by sector

[CONFIDENTIAL]

Confidential Annexure F – Increased frequencies and other network changes

Adelaide-Auckland

- In their initial application for authorisation, the Applicants submitted that under the Alliance they expected to grow to year round daily services on Adelaide-Auckland from the seasonal schedule of four to six per week”. The Applicants proposed daily services from November to and including March and 5 to 6 services weekly from April to October.
- Under the Alliance, frequency on Adelaide-Auckland has grown from 4.6 return trips per week in the Pre-Alliance Year to 5.3 return trips per week in Year 1. While the Parties have not been able to grow frequency on the route as much as anticipated there has been marked growth into Adelaide.
- The Alliance has seen considerable passenger growth on the Adelaide-Auckland sector with passenger numbers growing by [CONFIDENTIAL] when comparing Year 1 to Pre-Alliance Year. This growth has come about due to both increased capacity on the route (26.8% compared to Pre-Alliance Year) and price stimulation, with average fares falling [CONFIDENTIAL] from the Pre-Alliance Year to Year 1 to Pre-Alliance Year. Due to the increased capacity on the route the average seat factor has dropped from [CONFIDENTIAL].
- In addition to the above growth seen on the direct Adelaide-Auckland service the Applicants have seen sound growth into the Adelaide route with passengers choosing the convenience of other Alliance routing options. The total Air New Zealand sale volumes of passengers travelling between Adelaide-Auckland, including those travelling via Sydney, Brisbane and Melbourne has grown by [CONFIDENTIAL] between the Pre-Alliance Year and Year 1.
- The Applicants are committed to continuing to grow the Adelaide-Auckland sector with plans in place to grow capacity by a further [CONFIDENTIAL] over Year 2.

Auckland-Perth

- In their initial application for authorisation, the Applicants proposed year around daily services.
- From the commencement of Northern winter 2011 (Year 1), Air New Zealand moved to between 7 to 9 services per week on the route with the exception of the low season period in May/June when 6 services per week were operated.
- In addition, from September 2012, Air New Zealand commenced daily services replacing B767 services with B777-200 aircraft, on this sector. The B777-200 creates significant additional capacity and provides consumers with an improved product on this sector, including a 'lie-flat' business class product. Total capacity growth on Auckland-Perth was 29.2% due to the above changes. In turn, this has created a [CONFIDENTIAL] growth in passengers.

Melbourne-Wellington

- In their initial application for authorisation, the Applicants proposed daily services from November to and including April, 6 services weekly from July to and including October, and 5 services weekly from May to and including June.
- Since November 2011 Air New Zealand has operated at, or above, the these proposed frequencies. In Year 1 Air New Zealand operated an average of 7.2 return trips per week on Melbourne-Wellington which was up from 6 in Pre-Alliance Year.

Brisbane-Wellington

- In their initial application for authorisation, the Applicants proposed year round double daily services effective from the implementation of the Alliance.
- Under the Alliance, Virgin Australia became the sole Alliance carrier on this route from November 2011. Virgin Australia operated double daily services in all months with the exception of the low season months of May and June 2012. However, these frequencies were moved to the stronger months of July and October with the operation of an additional 2 services per week in July and 1 per week in October. **[CONFIDENTIAL]**.

Sydney -Wellington

- In their initial application for authorisation, the Applicants proposed double daily services from January to and including April, 13 services weekly from July to and including December and 12 services weekly from May to and including June.
- Air New Zealand became the sole Alliance carrier on the route from November 2011. The Alliance has maintained the frequency outlined above in peak months but has been unable to operate to the 13 weekly and 12 weekly services in shoulder and off peak months between May and September due to soft demand. However, the Alliance has improved the schedule removing wingtip flying from November 2011.
- With the increased passenger numbers that have resulted from the implementation of the Alliance, even in its first full year since implementing network changes, Virgin Australia and Air New Zealand have seen other opportunities arise to expand the network and serve city pairs that previously had no direct flight option.
- For example, the Alliance implemented a new Auckland to Sunshine coast service which commenced on 1 July 2012. The Alliance operated the seasonal service for 12 weeks with 2 flights a week on Tuesdays and Sundays, aimed at the leisure market offering another holiday destination to both Australians and New Zealanders. **[CONFIDENTIAL]**.

[CONFIDENTIAL].

- **[CONFIDENTIAL]**. The Alliance has enabled Virgin Australia to trial this by employing schedules in novel ways in an effort to remove wingtip flying, improve passenger choice and open up new connections in Auckland.
- To achieve maximum efficiency on the Tasman, Virgin Australia has historically designed its schedule so that Virgin Australia's Trans Tasman flights commenced and terminated in New Zealand, which limited the number of morning departures out of Australia and the number of evening departures out of New Zealand. This also created wingtip flying with Air New Zealand flights which did not reflect demand levels.
- Network optimisation enabled by the Alliance has allowed Virgin Australia to commence a morning start up service from Brisbane on the Brisbane-Auckland sector. This gives passengers the choice of a new flight with the earliest departure time of all airlines operating on that route. Passengers have the ability to arrive in Auckland for lunch or to catch connecting flights on Air New Zealand domestic services from early afternoon.
- Any resulting decrease in aircraft utilisation has been more than mitigated by an increase in passengers travelling on the Alliance's services as a result of the improved time of day options. The start-up Brisbane services performed very well between July 2012 and October 2012 and will be continued in northern summer 2013, with the services to be offered on a **[CONFIDENTIAL]**. This is valued by both business and leisure passengers.

- Without the Alliance and its metal neutral revenue sharing mechanisms, Virgin Australia would have had no incentive to introduce these morning services, as the cost of lower utilisation would have outweighed any revenue benefit.

Confidential Annexure G – Stimulation of tourism - examples of joint promotional activity under the Alliance

G1 Stimulation of Tourism - Joint promotion

Marketing initiatives:

- 3 x trade famil groups (max 12 passengers) each year. The purpose of these familis is to take trade agents, product/marketing managers away to experience new destinations.
- 4 x media/journalist tickets to use on mutually agreeable destinations for stories
- Adhoc prize winners/giveaway tickets
- Industry discounted fares for travel to Australia

Other activity promoting New Zealand included:

- The “Just 3 hours away” winter campaigns in 2011 and 2012 and “The Kiwi Sceptics” campaigns in 2012. The work has gained considerable attention in Australia, with Kiwi Sceptics recognised globally in creative awards, and insights telling us that consideration for New Zealand, Air New Zealand and Virgin Australia has grown as a result.
- The Alliance actively works with Tourism New Zealand (**TNZ**) to promote and stimulate tourism to New Zealand. The Alliance advises TNZ of all planned sales so that it is easy for TNZ to leverage off the tactical fares the Alliance has on offer and promote New Zealand to the travelling public. As an Alliance Air New Zealand and Virgin Australia are able to provide TNZ with a greater opportunity to promote New Zealand due to the strength and reach of the combined Alliance network.

Other activity promoting Australia included:

- “Play Melbourne” brand campaign launch with Tourism Victoria during February - April 2012.
- “Tri-State walk about” - an event in May 2012 which showcases SYD, MEL & BNE to the New Zealand trade and they then come together for a 2 day workshop to learn about Australia. At this workshop Air New Zealand & Virgin Australia had a joint booth with representation from both airlines updating the trade on all things Tasman. In addition to this, the Alliance carried over 50% of the 250 attendees to Australia for their ‘tri-state’ famil.
- In conjunction with Tourism Queensland the Alliance ran a 9 week Queensland promotion with the NZ Herald offering the chance to win a Queensland Holiday. The promotion showcased Queensland as a great place to visit with imagery, copy and up & coming events encouraging travel to Queensland.
- The Alliance partnered with Tourism Australia in the TV series ‘Judy Baileys Australia’. This was a 5 week TV show that took the viewer around Australia showcasing different things to see & do. The Alliance carried all cast & crew to film and in return was the call to action for the TV series as well as joint branding & exposure within the shows.
- Both Air New Zealand and Virgin Australia attended the Australian Tourism Exchange in Perth in May. This is a significant event for the tourism industry around the world, showcasing the airlines and all things Australia.
- In June-July 2012 Air New Zealand partnered with Tourism Queensland to run a campaign with Urgent Courier – wrapping all their vans/cars with Sunshine Coast imagery, promoting the non-stop Sunshine Coast services & a competition to win a trip to the Sunshine Coast.

PUBLIC VERSION

- In September 2012, in conjunction with Tourism Queensland the Alliance will be giving away a trip for a family of 4 to the Gold Coast to promote the new movie Madagascar 3 & to visit Dream World and a VIP “meet the characters” experience.

G2 Joint Promotion of the Alliance - Joint awareness campaigns

- Co-branded and co-funded Alliance launch awareness campaign in market 11 July to 21 August 2011, promoting consumer benefits to leisure and business travellers, with 7 large, outdoor formats using Virgin Australia airport inventory and 21 press insertions in main metropolitan papers. This campaign represented an investment of **[CONFIDENTIAL]**.
- Each airline used its own assets to promote the Alliance and advertised the 72 hour launch sale above the line over 11 to 13 July 2011 to stimulate demand.
- Co-branded Alliance trade brochure distributed in July 2011.
- Co-branded activity in market 3 September-31 October in Rugby World Cup press & online media to promote the Alliance being the only Trans Tasman network able to fly Australians to all rugby matches in New Zealand that year. This campaign represented an investment of **[CONFIDENTIAL]**.

G3 Joint Promotion of the Alliance - Proactive retail campaigns

New Zealand point of sale	
Date	Sale / Promotion
July 2011	Alliance launch with joint Air New Zealand and Virgin Australia branding and messaging offering special add-ons to points beyond the international gateways.
August 2011	\$100 off campaign offering \$100 off any return fare from any Air New Zealand airport in New Zealand to any Virgin Australia airport in Australia.
September 2011	48 hour sale with lower fares available online only on selected Air New Zealand coded flights.
October 2011	24 hour sale with lower fares available online only on selected Air New Zealand coded flights.
November 2011	48 hour sale with lower fares available online only on selected Air New Zealand coded flights
December 2011	\$150 off campaign offering \$150 off any return fare from any Air New Zealand airport in New Zealand to any Virgin Australia airport in Australia.
January 2012	New Year Sale activity
Early February 2012	48 hour sale
Mid February 2012	Network sale including Tasman
Early March 2012	24 hour sale
Late March 2012	\$100 off campaign offering \$100 off any return fare from any Air New Zealand airport in New Zealand to any Virgin Australia airport in Australia.
Early April 2012	48 hour sale
Late April 2012	\$100 off campaign offering \$100 off any return fare from any Air New Zealand airport in New Zealand to any Virgin Australia airport in Australia.
Early May 2012	24 hour sale
Late May 2012	48 hour sale
June 2012	\$150 off campaign offering \$150 off any return fare from any Air New Zealand airport in New Zealand to any Virgin Australia airport in Australia.

PUBLIC VERSION

New Zealand point of sale	
Mid June 2012	Perth price pointed campaign promoting all products – Seats to Suit, Premium Economy & Lie flat business class beds.
Early July 2012	24 hour sale
Late July 2012	48 hour sale
August 2012	48 hour sale
Early August 2012	Perth product awareness campaign – promoting the 777 operating on the Auckland-Perth route
Late August 2012	Price pointed campaign promoting all products – Seats to Suit, Premium Economy & Lie flat business class beds.
Early September 2012	\$150 off campaign offering \$150 off any return fare from any Air New Zealand airport in New Zealand to any Virgin Australia airport in Australia.
Late September 2012	24 hour sale
October 2012	48 hour sale
31 October – 7 November 2012	Perth \$ off campaign as well as the in-flight product awareness messages

Australia point of sale	
Date	Sale / Promotion
July 2011	Alliance launch fare, 72 hour price point
July 2011	2 week tactical wholesale fare
August 2011	48 hour price point sale
August 2011	72 hour \$150 off campaign
August 2011	2 week SYD-CHC tactical wholesale fare
September 2011	24 hour price point sale
September 2011	5 day tactical sale to support the launch of Perth Seats to Suit
September 2011	48 hour price point sale
October 2011	24 hour price point sale, with lower fares available online only on NZ7000 series flights
October 2011	48 hour \$100 off campaign
November 2011	9 day wholesale tactical fare
November 2011	48 hour price point sale, with lower fares available online only on NZ7000 series flights
December 2011	48 hour \$150 off sale
January 2012	10 day New Year sale
February 2012	4 week early bird Ski wholesale tactical fare
February 2012	48 hour price point sale
February 2012	7 day tactical MCY-AKL fare for launch of new service
March 2012	7 day tactical sale with TNZ

Australia point of sale	
March 2012	72 hour \$150 off sale
April 2012	48 hour price point sale
April 2012	48 hour price point sale
May 2012	2 week Wellington tactical fare – free New Zealand domestic add-ons
May 2012	48 hour \$100 off sale
June 2012	24 hour \$100 off sale
June 2012	48 hour price point sale
July 2012	72 hour \$150 off sale
July 2012	2 series of 5 day sales with a PER-AKL tactical fare to support the new 777-200
August 2012	48 hour price point
August 2012	72 hour price point
September 2012	48 hour price point
September 2012	5 day PER-AKL tactical fare
October 2012	72 hour \$150 off sale

Confidential Annexure H – Average Alliance fares by sector

[CONFIDENTIAL]

Annexure I – Competitive dynamics on specific routes

Route	Competitive Dynamics
<i>Condition routes</i>	
AKL-BNE ⁴²	<p>There are five carriers currently operating on this route including Virgin Australia, Air New Zealand, Qantas, Emirates and China Airlines. China Airlines entered this route in January 2011 and the Applicants are constrained by the potential for other FFC entry on this route or on AKL-OOL (eg, Eva Airways, Garuda Indonesia, Malaysian Airlines and Thai Airways).</p> <p>There is substantial capacity operating on this route. From the Pre-Alliance Year to Year 1, overall capacity on this route has increased by 25.1% and competitor capacity has increased 40.9%. Over that time period, the capacity of Qantas on AKL-BNE increased by 15.4% and the capacity of Emirates increased by 40.5%. This has been driven by Qantas' upgrade of the aircraft used on this route from a Boeing 737-400 to a Boeing 737-800 and Emirates' upgrade from an Airbus A345 to a Boeing 777-300ER.</p> <p>The Applicants are subject to ACCC conditions on this route which require them to maintain and grow capacity on this route and according to the draft decision to approve the Qantas/Emirates alliance, Qantas and Emirates could also be subject to conditions to maintain and in time grow aggregated capacity on routes including this route.</p> <p>Reauthorisation will allow the Applicants to better compete with the Qantas-Jetstar Group particularly if the Qantas-Emirates alliance is approved on the Tasman.</p> <p>The Applicants have not anti-competitively increased overall fare levels or reduced the number and availability of low fares on this route. In fact, despite the Alliance's improved service offering, and the increased number of premium travellers in the fare class mix, the average fares of the Alliance on this route have decreased [CONFIDENTIAL] from the Pre-Alliance Year to Year 1.</p> <p>AKL-OOL is a viable substitute for this route if there are any material price increases or capacity decreases. The overwhelming majority of passengers on this route are holiday or VFR travellers and, as a result, this route is highly price sensitive. The service and pricing decisions of the Applicants on this route are constrained by the ability of travellers to switch to AKL-OOL. Gold Coast Airport is only around 108km from Brisbane Airport and depending on the ultimate destination of the traveller they may switch to AKL-OOL instead of AKL-BNE.</p> <p>Jetstar operates services on the AKL-OOL route. Jetstar could easily deploy aircraft onto AKL-BNE in the event that the Alliance was to anti-competitively raise fares.</p>
BNE-DUD	<p>This is a small route which accounts for only 1.0% of passengers carried on the Tasman. It is not capable of supporting substantial direct operating capacity.</p> <p>The Applicants have increased capacity on this route by 7.2% from the Pre-Alliance Year to Year 1.</p>

⁴² This route is the subject of conditions under the ACCC authorisation but not the MOT authorisation.

Route	Competitive Dynamics
	<p>The Applicants have not anti-competitively increased overall fare levels or reduced the number and availability of low fares on this route. In fact, despite the Alliance's improved service offering and increased number of premium travellers in the fare class mix, the average fares of the Alliance on this route have decreased [CONFIDENTIAL] from the Pre-Alliance Year to Year 1.</p> <p>Jetstar could deploy aircraft onto this route if the opportunity arose.</p>
BNE-WLG	<p>From the Pre-Alliance Year to Year 1, the Applicants have:</p> <ul style="list-style-type: none"> • increased capacity on this route by 10.6%; • increased frequencies by 2.5%; and • decreased the combined Alliance average fares by [CONFIDENTIAL]. <p>This is a highly price sensitive route with a large proportion of leisure passengers. Qantas competes indirectly on this route and a significant number of passengers travel indirect between Brisbane and Wellington.</p> <p>There are no barriers to Qantas or Jetstar entering this route:</p> <ul style="list-style-type: none"> • both Qantas and Jetstar have operations at each of Brisbane and Wellington airports and could readily commence direct services in competition with the Applicants; • the route is three times larger than the Gold Coast–Christchurch route which Jetstar has operated on for some time; • the route is the same size as a number of other Tasman routes that Jetstar services (eg, Auckland-Gold Coast and Christchurch-Melbourne); and • Jetstar has demonstrated its ability to move quickly to deploy capacity in response to any business opportunity. <p>Were the Alliance to reduce capacity/ increase fares, it would only encourage entry from Qantas or Jetstar.</p>
MEL-WLG	<p>From the Pre-Alliance to Year 1, the Applicants have increased capacity on this route by 32.5% and increased frequencies by 19.5%.</p> <p>Qantas also operates on this route and from the Pre-Alliance Year to Year 1 has increased capacity on this route by 21.3%.</p> <p>From the Pre-Alliance Year to Year 1 the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p>
SYD-WLG	<p>From the Pre-Alliance Year to Year 1, the Applicants have increased capacity on this route by 16.7%, increased frequencies by 10.7% and have been able to make scheduled changes to remove wingtip flying on this route.</p> <p>Qantas also operates on this route and from the Pre-Alliance Year to Year 1 has increased capacity on this route by 16.5%.</p>
SYD-ZQN	<p>There are four carriers that are operating on this route including Virgin Australia, Air New Zealand, Qantas and Jetstar.</p> <p>As anticipated by the Applicants in their initial application for authorisation, Jetstar entered this route in 2012 and has since expanded its services on this route.</p>

Route	Competitive Dynamics
	<p>From the Pre-Alliance Year to Year 1, the Applicants have increased capacity on this route by 18.1% and increased frequencies by 14.8%.</p> <p>From the Pre-Alliance Year to Year 1 the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p> <p>Qantas operates all year round on this route and from the Pre-Alliance Year to Year 1 has increased capacity on this route by 8.2%. Competitor capacity on this sector has increased by 78.1%. This is a small route which accounts for only 1.0% of Trans Tasman traffic.</p>
<i>Routes found unlikely to cause competition concerns in the Final Determination and new Alliance route AKL-MCY</i>	
ADL-AKL	<p>From the Pre-Alliance Year to Year 1, the Applicants have increased capacity on this route by 26.8% and increased frequencies by 15.9%.</p> <p>From the Pre-Alliance Year to Year 1 the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p> <p>Qantas or Jetstar could easily deploy onto this route in the event that the Alliance were to anti-competitively raise fares and Qantas has flown this route in the past.</p>
AKL-CNS	<p>From the Pre-Alliance to Year 1, the Applicants have decreased capacity on this route by 4.5% and increased frequencies by 1.9 %.</p> <p>Jetstar entered this route in April 2011 adding 29,268 additional seats by Year 1.</p> <p>From the Pre-Alliance Year to Year 1 the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p> <p>Qantas competes on this route through connecting services and could readily commence direct services in competition with the Alliance if it were to anti-competitively raise fares.</p>
AKL-MCY	<p>The Applicants started providing services on this route as a result of schedule optimisation under the Alliance.</p> <p>Following discussions with both Sunshine Coast and Auckland Airports, the Alliance launched seasonal services on this route in July 2012. In the past, passengers have been required to travel via Brisbane to access the Sunshine Coast.</p> <p>These new direct services operated by Air New Zealand commenced at 2 per week operating for a 12 week period (through to September 2012). The success of the service is indicated by the fact that the Alliance will again operate 2 services a week in the northern summer 2013 scheduling season for a 17 week period (mid-June to mid-October 2013). This route would be highly price sensitive with a large proportion of leisure travellers and the Applicants services on this route will be constrained by competition for similar passengers on AKL-BNE and AKL-OOL services.</p>
AKL-MEL	<p>There are five carriers currently operating on this route including Virgin Australia, Air New Zealand, Qantas, Jetstar and Emirates.</p> <p>Jetstar entered this route in January 2011 and in Year 1 operated capacity of 116,526 seats.</p> <p>From the Pre-Alliance Year to Year 1, overall capacity on this route has</p>

Route	Competitive Dynamics
	<p>increased by 22.6% and competitor capacity has increased 36.0%. Over that time period, the capacity of Qantas increased by 6.9% and the capacity of Emirates increased by 27.4%. If the Qantas-Emirates alliance is approved, the Applicants would be competing against that alliance and the impact of any capacity conditions, which affect this route.</p> <p>From the Pre-Alliance Year to Year 1 the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p>
AKL-OOL	<p>There are three carriers currently operating on this route including Virgin Australia, Air New Zealand, and Jetstar.</p> <p>From the Pre-Alliance Year to Year 1, Alliance capacity has increased by 2.4%. This route is highly price sensitive and competes with AKL-BNE for passengers.</p>
AKL-PER	<p>From the Pre-Alliance Year to Year 1, Alliance capacity on this route has increased by 29.2% while frequencies have increased by 24.9%.</p> <p>From September 2012, Air New Zealand commenced daily services replacing B767 services with B777-200 aircraft, on this sector. The use of B777-200 aircraft creates significant additional capacity and provides consumers with an improved product on this sector, including a 'lie-flat' business class product. Total capacity growth on Auckland-Perth was 29.2% due to the above changes. In turn, this has created a [CONFIDENTIAL] growth in passengers.</p>
AKL-SYD	<p>There are seven carriers currently operating on this route including Virgin Australia, Air New Zealand, Qantas, Jetstar, LAN Airlines, Emirates and China Airlines.</p> <p>From the Pre-Alliance Year to Year 1, Alliance capacity on this route has increased by 6%. Over the same time period, the capacity of Emirates increased by 2.3% and the capacity of LAN Airlines increased by 4.2% whilst the capacity of Qantas decreased by 7.4% and Jetstar decreased by 16.9%. China Airlines commenced services on the route in November 2012.</p> <p>From the Pre-Alliance Year to Year 1 the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p> <p>The Applicants would be constrained by existing carriers and the threat of entry and expansion by existing and new carriers including FFC entry. If the Qantas-Emirates alliance is approved, the Applicants would be competing against that alliance and the impact of any aggregated capacity conditions on this route.</p>
BNE-CHC	<p>From the Pre-Alliance Year to Year 1, the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p> <p>This route is highly price sensitive with a large proportion of leisure travellers.</p> <p>Jetstar used to operate on this route but ceased services at the end of March 2012. Jetstar could re-enter or Qantas could enter this route if the Alliance were to anti-competitively raise fares or in the event that demand returned to pre-earthquake levels. Qantas has flown this route before.</p>
BNE-HLZ	<p>On 14 August 2012, Virgin Australia announced that from the end of October 2012, it would cease operating the Brisbane-Hamilton route as a</p>

Route	Competitive Dynamics
	<p>result of lack of demand for that service.</p> <p>Virgin Australia commenced a Brisbane–Hamilton service in September 2009, operating three flights a week. Despite continued work by Virgin Australia as well as a positive relationship with Hamilton Airport over the past three years, demand for this service continued to deteriorate and the service became unsustainable.</p>
BNE-ZQN	<p>From the Pre Alliance Year to Year 1, Alliance capacity on this route has increased by 35.8% while frequencies have increased by 21%.</p> <p>Qantas also operates on this route on a seasonal basis.</p> <p>From the Pre-Alliance Year to Year 1, the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p>
CHC-MEL	<p>There are three carriers currently operating on this route including Virgin Australia, Air New Zealand and Jetstar.</p> <p>From the Pre-Alliance Year to Year 1, the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p> <p>Jetstar competes strongly on this route and Qantas could easily deploy onto this route in the event that the Alliance were to anti-competitively raise fares. Qantas has flown this route in the past and so has Emirates.</p>
CHC-OOL	<p>There are two carriers currently operating on this route including Air New Zealand, and Jetstar.</p> <p>From the Pre-Alliance Year to Year 1, Alliance capacity on this route has increased by 14.1% and Jetstar's capacity has increased by 64%.</p> <p>Over that time period, the Alliance has increased frequencies by 2.6% while decreasing its average fare on this route by [CONFIDENTIAL].</p>
CHC-SYD	<p>There are five carriers that are operating on this route including Virgin Australia, Air New Zealand, Qantas, Jetstar and Emirates.</p> <p>From the Pre-Alliance to Year 1, the Alliance has decreased its average fare by [CONFIDENTIAL].</p> <p>If the Qantas-Emirates alliance is approved, the Applicants would be competing against that alliance and the impact of any aggregated capacity conditions on this route.</p>
DUD-MEL	<p>This route is operated seasonally by the Applicants. From the Pre-Alliance to Year 1, the Applicants have increased capacity on this route by 187.6% and increased frequencies by 142.9%.</p> <p>Over the same time period the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p>
DUD-SYD	<p>This route is operated seasonally by the Applicants. From the Pre-Alliance to Year 1, the Applicants have increased capacity on this route by 28.9% and increased frequencies by 8.8%.</p> <p>Over the same time period the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p>
MEL-ZQN	<p>There are three carriers currently operating on this route including, Air New Zealand, Jetstar and Qantas (seasonally)</p>

Route	Competitive Dynamics
	<p>Jetstar entered this route in January 2011 and has increased MEL-ZQN services since November 2012.</p> <p>From the Pre-Alliance Year to Year 1, the Applicants have increased capacity on this route by 55.5% and increased frequencies by 49.1%.</p> <p>Over the same time period the average fares of the Alliance on this route have decreased by [CONFIDENTIAL].</p>
ROT-SYD	<p>This is a small route accounting for less than 1% of Trans Tasman traffic.</p> <p>From the Pre-Alliance to Year 1, the Applicants have increased capacity on this route by 9% and increased frequencies by 0.6%.</p>

**Air New Zealand Confidential Annexure J – Reduced Pro-rate costs
and impact on connecting traffic**

[CONFIDENTIAL TO AIR NEW ZEALAND]