



→ OPAANZ-C

29 August 2006

Phil Taylor
Partner
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P O Box 4199
Auckland

*Emailed and posted
29/8/06*

Dear Mr Taylor

Air New Zealand/Qantas Application for Authorisation under Section 88 of the Civil Aviation Act 1990

I refer to our letter of 16 June 2006 in which we asked that you identify specifically those provisions of the Tasman Networks Agreement (TNA) which relate directly or indirectly to the fixing or application of tariffs, and those which relate directly or indirectly to the fixing of capacity.

We have noted your statement in your letter of 14 August 2006 that you consider the TNA to have interconnected provisions, all of which relate directly or indirectly to the fixing of tariffs and/or capacity.

Nevertheless, given that s.88 of the Civil Aviation Act 1990 provides for the authorisation of *all or any provisions* of a contract *so far as they relate* whether directly or indirectly, to the fixing of tariffs, the application of tariffs, or the fixing of capacity, or any combination thereof, in providing our advice to the Minister we need to be satisfied as to the operation of each individual provision.

In this regard we will be analysing your reply to our information request 33 of our letter of 28 July 2006 in which the applicants were asked to provide a fuller explanation as to why joint tariff setting and revenue sharing need to be part of the TNA, as opposed to arrangements that only cover code-sharing, along with the information provided in the opinion by Alan Galbraith QC.

Could you also bear this question in mind when preparing your answer to our information request 32 in relating to the inclusion of Jetstar and Freedom in the revenue sharing arrangements.

We also invite you to make any further comments you may have on the view of Wellington International Airport Limited that revenue and loss sharing cannot be authorised (paragraphs 523-526 of the Wellington International Airport Limited paper).

Would you please also comment on the assertion by Wellington International Airport Limited at paragraphs 527-533 that coordination of the Minimum

Inflight Service Offering does not fall within the scope of what can be authorised.

There are other provisions where we also require further explanation to determine whether and how they are directly or indirectly related to the fixing of tariffs or capacity. The following are representative of the areas in which our analysis would benefit from further explanation from the applicants in this regard.

Objectives of the TNA

- Clause 2.2(e) which states that one of the objectives is enhancing the product offering to consumers on the Tasman Networks including by providing for better connectivity and a more seamless travel experience.

Operation of code-share services

- Clause 4.4 of schedule 1 relating to immigration
- Clause 7 of schedule 1 relating to baggage tracing

Marketing and sales

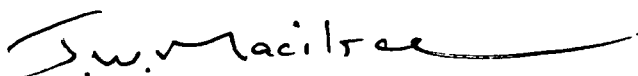
- Clause 5.3(g) of schedule 2 relating to marketing and tactical advertising plans
- Clause 6.1 of schedule 2 relating to key performance indicators for sales teams

Other

- Clause 3.2 relating to staff and duty travel
- Clause 6.7 relating to reservation systems
- Clause 6.8 relating to links to Jetstar's and Freedom's booking engines
- Clause 6.10 relating to tier status customers
- [CONFIDENTIAL]
- "Mechanical" clauses (clauses 13 – 31)

Please also advise if there is anything in this letter for which you consider there are grounds to claim confidentiality under the Official Information Act.

Yours sincerely



John Macilree
Principal Adviser, Air Services