



Tourism

19 August 2003

Background

- Air New Zealand is the main source of inbound tourism and domestic tourism promotion
- Air New Zealand provides 40% of seats to NZ
- No other carrier has the brand linkage to New Zealand, interest in New Zealand, or commitment to promoting New Zealand
- Carriers come and go - BA, UA, JL, AA, CO
- No other carrier has the domestic New Zealand network or the necessary bilaterals

Unique Opportunity to Promote NZL

- Air New Zealand's focus is on New Zealand, but has Network, Systems and Distribution constraints
- The proposed Qantas/Air New Zealand Alliance is the only alliance that resolves these constraints
- Improved productivity from promotional spend
- The result will be a significant increase in tourism

NZL Share of Outbound Markets

Shares of Total Outbound Markets to New Zealand

- 2002 Departures from UK 0.40%
- 2002 Departures from Singapore 0.77%
- 2002 Departures from Hong Kong 0.69%
(excludes mainland China, Taiwan, Macau)
- 2002 Departures from USA 0.84%
- 2002 Departures from Japan 1.05%

Network Weaknesses

Air New Zealand currently faces a number of network weaknesses, notably:

- No relationship with a domestic Australian carrier
- Limited ability to offer dual destinations to foreign tourists
- Bilateral constraints Auckland to London
- Limited ability to cater for European tourists following its withdrawal from FRA-LAX

Alliance Network Benefits

These weaknesses will be eliminated by the ability to have online flights with Qantas

- Instantly expands the network of both carriers
- Seamless travel experience
- Adds Eastbound alternative route for Europe - NZL
- Over 1250 new directional online routes (before we co-ordinate schedule)

New Network Opportunities

- Code share opportunities for NZ
 - United Kingdom - LON SIN NZL
 - France - PAR SIN NZL
 - Germany - FRA SIN NZL
 - New York - NYC LAX NZL
- New Services
 - Adelaide - Non-Stop
 - Canberra - Non-Stop
 - Hobart - Non-Stop

Other Network Opportunities

India emerging market

- Justifies capacity increase on New Zealand / Singapore
- Ad-hoc capacity - Japan Charters, Rugby, Netball
- Exploit new market opportunities which might not be feasible for one partner to provide alone, e.g. China, South America

Largest Inbound Market – Australia

- Air New Zealand has no alliance
- Air New Zealand has no online partner
- Limited to Brisbane, Melbourne, Sydney, Cairns and Perth markets

2nd Largest Inbound Market – UK

- Air New Zealand has no effective alliance
- Air New Zealand restricted by bilaterals

UK – NZ Market

- Air New Zealand primary airline promoting New Zealand in the UK
- Currently capacity constrained
- Alliance increases ability to grow the market
- Without the Alliance, Air New Zealand is in a maintenance position

Systems and Distribution Benefits

Air New Zealand Holidays will grow the tourism market to New Zealand by using Qantas Holidays Distribution and IT Platforms to grow inbound tourism.

How will it Work?

- Air New Zealand owns and controls the Air New Zealand Holidays brand.
- Qantas Holidays will develop, produce and market the product
- Separate Air New Zealand Holidays brochures and on-line products will be developed and sold
- Air New Zealand will have final product approval
- Qantas Holidays will promote the product via its distribution network
- Air New Zealand will also market and distribute the product via its own distribution network

Roles of Each Brand

Brand	Key Roles under the Alliance
Air New Zealand Holidays	Main brand used in foreign markets for exclusively New Zealand itineraries One of two brands in foreign markets for dual New Zealand / Australia itineraries
Qantas Holidays	Main brand used in foreign markets for exclusively Australian itineraries One of two brands in foreign markets for dual New Zealand /Australian itineraries

Holidays IT Systems

- Access to the Qantas Holidays booking engine and its array of land packages, to create Air New Zealand Holidays
- It would take years and significant cost to replicate this system, which is simply not an option for Air New Zealand

Dual Destination Opportunity

- Air New Zealand has no access to Australian domestic carrier
- Alliance will provide access to Australian network

50% of USA Market To New Zealand Also Visits Australia

48% of UK Market To New Zealand Also Visits Australia

Focus on New Zealand

- Air New Zealand Holidays will have greater ability and motivation to fill the shoulders and off peak periods
- Relying on Tour Operators to do this does not work
- Off peak focus will improve infrastructure productivity

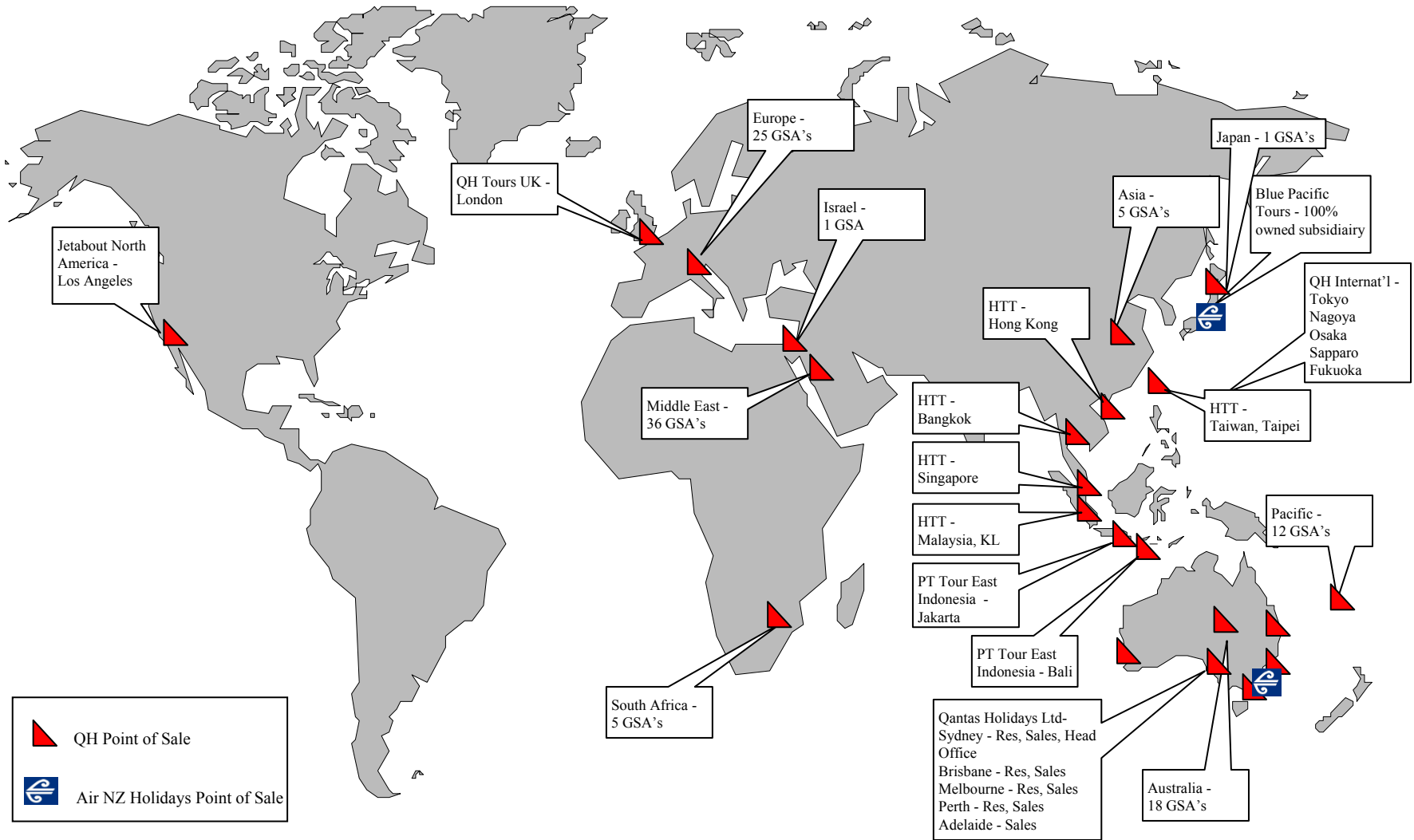
Global Distribution of Holidays Product

Air New Zealand lacks strong global distribution for holiday products

Working with Qantas Holidays offers:

- Economies of scale
- Presence - representation in 25 countries, 37,000 outlets
- IT system - Calypso
- Infrastructure
- Promotional activities
- Ability to build brand

Distribution Networks



Source: Air NZ Holidays, QH

Example of Key Distributors – UK

New Zealand Share Of Total International Business

Air NZ Rank	Agent	% of business that is NZL
1	Trailfinders	2.4%
2	Travelbag	10.3%
3	Travel 2	3.7%
4	STA	2.9%
5	Gold Medal	2.3%
7	Thomas Cook	1.7%
9	Bridge The World	8.8%
14	My Travel	0.1%

What could a Holidays Product do?

Question:

*Has Blue Pacific Tours created additional demand to New Zealand?
Definitely, YES*

- Currently achieve 1% of total outbound ex-Japan
- BPT staff are all specialists for New Zealand
- 1% for major agents but 100% for BPT
- Develop Special Interest Tours, such as Golf, Rugby, Fishing
- Maintain close relationship with with organisations such as Sistercities
- Tourism New Zealand works very closely with BPT, because of its dedication to New Zealand
- Educates contracted agents on how to promote New Zealand

Promotion

- Commitment to spend additional AUD5.4m on promotion of New Zealand in the year following effective date of alliance
- Achieve share shift from rest of the world

Other Sources of Increase

Independent wholesalers will also grow the New Zealand destination through

- Advantages of network enhancements
- More economic itineraries
- Increased destination awareness

To Summarise

The Alliance will expand New Zealand tourism by

- Enhanced network
- New online routes
- Raising the awareness of New Zealand
- Enhanced global distribution of Air New Zealand Holidays brand, supported by a dedicated and focused sales force
- Engaging in dual destination opportunities
- Improving visitation during shoulder and off peak seasons
- Additional promotion and expenditure

The Result

The Alliance Will Deliver In Excess Of
60,000 Additional Tourists

**None of this will happen absent
the Alliance**