

**COMMERCE ACT 1986: BUSINESS ACQUISITION
SECTION 67: NOTICE SEEKING AUTHORISATION**

Date: 9 December 2002

The Registrar
Business Acquisitions and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON

**AIR NEW ZEALAND LIMITED AND QANTAS AIRWAYS
LIMITED**

Pursuant to s 67(1) of the Commerce Act 1986 notice is hereby given seeking **authorisation** of a proposed business acquisition.

Introduction

1. This is an application by Qantas Airways Limited (ABN 16 009 661 901) (**Qantas**) seeking authorisation to subscribe for up to 22.5% of the voting equity in Air New Zealand Limited (**Air New Zealand**) pursuant to a Subscription Agreement between Air New Zealand and Qantas (the **Equity Application**). The Application is supported by Air New Zealand. (Together, Air New Zealand and Qantas are called the **Parties**.) A separate application seeking authorisation for a Strategic Alliance Agreement and certain Related Agreements is filed simultaneously with this Application (the **Alliance Application**). Together these are called the **Applications**.
2. The Strategic Alliance Agreement is conditional (inter alia) upon the Subscription Agreement and all Related Agreements becoming unconditional in all respects, including authorisation being granted by the Commerce Commission (**Commission**) and the Australian Competition and Consumer Commission (**ACCC**) to the Subscription Agreement. Similarly the Subscription Agreement is, in effect, conditional on authorisation being granted by the Commission and the ACCC to the Strategic Alliance Agreement. (Terms defined in the Alliance Application have the same meanings in this application, except where the context or definitions used in this Application require otherwise.)
3. The Transactions are thus inter-conditional and must be considered together. For this reason any likely competitive detriments and likely public benefits will flow from the totality of the Transactions. Consequently, this Application draws on the Alliance Application and must be read in conjunction with that application.
4. The benefits and detriments have been modelled and extensively tested in a report prepared by Network Economics Consulting Group Pty Limited, an expert Canberra-based economic consulting group with considerable experience in network industries. The benefits disclosed in that report clearly overwhelm the modelled detriment.
5. As outlined in the Alliance Application, the Transactions will create material net benefits. The benefits to New Zealand from the Transactions, assuming VBA entry, exceed the detriments by over NZ\$1.4 billion over five years. Even assuming no VBA entry, the net benefits to New Zealand over the same period are over NZ\$1.2 billion. Those benefits, tested against the future world without the Transactions (and not the world as it now is), flow from: increased tourism; increased engineering services; increased freight capacity; cost savings; new direct flights; and enhanced connectivity.

6. On the basis of the above, the Applicant requests that the Commission grant authorisation as sought.

PART I: TRANSACTION DETAILS

The business acquisition for which authorisation is sought

7. This is an application by Qantas pursuant to section 67(1) of the Commerce Act 1986 (the **Commerce Act**) supported by Air New Zealand, seeking authorisation of the acquisition by Qantas of ordinary shares comprising up to 22.5% of the voting equity in Air New Zealand.
8. Qantas will subscribe for redeemable convertible notes equivalent to 4.99% of the voting equity in Air New Zealand on receipt of Kiwi Shareholder approval. (Authorisation is not sought for that acquisition.) Under clause 3 (Subscription for Placement Shares) of the Subscription Agreement, on receipt of authorisation by the Commission and the ACCC and approval of Air New Zealand shareholders, the redeemable convertible notes automatically convert to Air New Zealand ordinary shares and Qantas will subscribe for such number of Air New Zealand equity securities as would result in Qantas holding, in total, 15% of the voting equity in Air New Zealand (including ordinary shares arising upon conversion of the redeemable convertible notes). (The additional shares being called the **Tranche 1 Placement Shares**.) At that time Qantas may also elect to subscribe for such number of Air New Zealand ordinary shares (**Tranche 2 Placement Shares**) which, together with those already subscribed for by Qantas, would result in Qantas holding, in total, up to 22.5% of the Air New Zealand enlarged voting equity. If Qantas does not elect to subscribe for the Tranche 2 Placement Shares at the same time its subscribes for the Tranche 1 Placement Shares, it must subscribe for them on or about the date which is the third anniversary of the date Air New Zealand shareholder approval is obtained. Qantas will be entitled to maintain this level of shareholding pursuant to “top up” arrangements contained in a Top-Up Deed that Air New Zealand and Qantas have entered into. Authorisation is sought for the acquisition of these two rights of subscription, including the relevant aspects of the Top-Up Deed (the **Equity Proposal**).
9. As noted, a further application (the Alliance Application) is being made pursuant to section 58 of the Commerce Act seeking authorisation for the Parties to enter into and give effect to the provisions of the Strategic Alliance Agreement and certain Related Agreements.
10. The Alliance Application is conditional (inter alia) upon the matters outlined in paragraphs 13-16 of that application. Pursuant to clause 3.1 (Conditions to Subscription for

Placement Shares) of the Subscription Agreement, the Equity Proposal is conditional on the following:

- (a) authorisation being granted by the Commission and the ACCC for the Subscription Agreement on terms acceptable to the Parties;
- (b) the Treasurer of Australia consenting to the Transactions under the Foreign Acquisitions and Takeovers Act 1975 (Australia) or the Treasurer becoming unable to make any order under Part II of that Act because of lapse of time;
- (c) obtaining Air New Zealand Shareholder Approval (other than Kiwi Shareholder approval) to:
 - (i) the issue of the Shares to Qantas and to Air New Zealand's entry into and performance of the Transactions;
 - (ii) the amendment of Air New Zealand's constitution; and
 - (iii) the appointment to the board of directors of Air New Zealand of two directors nominated by Qantas;
- (d) obtaining Kiwi Shareholder approval to the issue of the shares to Qantas and the amendment of Air New Zealand's constitution in writing in a form acceptable to the Parties;
- (e) completion by the Parties of the issue of and subscription for the redeemable convertible notes;
- (f) all conditions precedent to the implementation of the Strategic Alliance Agreement having been satisfied; and
- (g) the consent of the Minister of Finance and the Minister of Lands under the Overseas Investment Regulations 1995 (New Zealand) to the performance of the Subscription Agreement, if required, on terms acceptable to the parties.

(Capitalised terms in (a) to (g) above are as defined in the Subscription Agreement, except where the context or definitions used in this Application require otherwise.)

11. The Transactions raise competition issues in respect of a number of aviation and related markets which are described in this Application. However, the substantial and

demonstrable public benefits which arise from the Transactions substantially outweigh any detriment.

The person giving notice

12. This notice is given by Qantas, supported by Air New Zealand.
13. The Applicant requests that all correspondence and notices in respect of this Application be directed in the first instance to:

For Air New Zealand -	For Qantas -
Bell Gully	Minter Ellison Rudd Watts
Royal & SunAlliance Centre	Bank of New Zealand Tower
48 Shortland Street	125 Queen St
PO Box 4199	PO Box 3798
Auckland	Auckland
Telephone: (09) 916 8800	Telephone: (09) 353 9700
Facsimile: (09) 916 8801	Facsimile: (09) 353 9701
Attention: Phil Taylor / Torrin Crowther	Attention: Andrew Peterson / Andrew Matthews
DDI: (09) 916 8940 / (09) 916 8621	DDI: (09) 353 9976 / (09) 353 9847
phil.taylor@bellgully.com	andrew.peterson@minterellison.co.nz
torrin.crowther@bellgully.com	andrew.matthews@minterellison.co.nz

Confidentiality

14. Confidentiality is not claimed for the fact of the Transactions.
15. Air New Zealand and Qantas seek confidentiality for all information in respect of which confidentiality has been sought in relation to the Alliance Application.

16. Confidentiality is sought for all confidential information referred to for a period of five years, or until Air New Zealand and Qantas advise the Commission it may disclose this information.
17. The information that has been deleted is commercially sensitive and valuable information that is confidential to Air New Zealand and Qantas. Disclosure of that information could result in material financial loss and prejudice to the competitive position of the Parties. In this respect, Air New Zealand and Qantas rely on section 9(2)(b) of the Official Information Act 1982. The foregoing applies equally in respect of all additional information (expressed to be confidential) that Air New Zealand or Qantas may provide in relation to the Transactions.

Details of the participants

18. The participants are Air New Zealand, Qantas and the New Zealand Government (the **Crown**).

The contact details of Air New Zealand are as follows:	The contact details of Qantas are as follows:
Air New Zealand Limited	Qantas Airways Limited
19th Floor, Quay Towers	Qantas Central Building A/9
Corner Lower Albert & Customs Street	203 Coward Street
Private Bag 92007	Mascot NSW 2020
Auckland	Australia
Telephone: (09) 336 2400	Telephone: (0061) 2 9691 3456
Facsimile: (09) 336 2765	Facsimile: (0061) 2 9691 3339
Attention: John Blair, General Counsel and Company Secretary	Attention: Brett Johnson, General Counsel and Company Secretary

Interconnected and associated parties*Acquirer group/associates*

19. A list of Qantas controlled entities and associates is attached as Schedule 1.
20. British Airways Investments (Australia) Pty Limited (a subsidiary of British Airways Plc) owns 18.93% of the issued capital in Qantas. A list of British Airways' subsidiaries and associated companies is attached as Schedule 2.
21. JP Morgan Nominees Australia Limited owns 15.09% of the issued capital in Qantas.

Target company group/associates

22. A list of Air New Zealand's subsidiaries and affiliates is attached as Schedule 3. Air New Zealand also holds 1.97% of the shares in Air Pacific (Qantas holds 46.32% of the shares in Air Pacific).
23. The Crown currently holds approximately 82% of the equity shares in Air New Zealand. Assuming Qantas subscribes for all the ordinary shares it is entitled to under the Subscription Agreement, the Crown's shareholding will be diluted to approximately 62%.

Existing interests

24. Qantas, through its subsidiary Qantair Limited, owns 100 shares in Air New Zealand. Air New Zealand owns 1,941 shares in Qantas.

Links between the participants

25. The Parties entered into the Transactions on 25 November 2002. The details of the Transactions are outlined in paragraphs 18 - 29 of the Alliance Application.

Common directorships

26. Qantas directors Geoff Dixon and Peter Gregg are also directors of Air Pacific Limited, and are directors of all wholly owned subsidiaries of Qantas, including Qantas Holidays Limited, Jetconnect Limited and Australian Airlines Limited.

Business activities of the participants

27. The business operations and organisation structure of Air New Zealand and of Qantas are described in Schedules 1 and 2 respectively of the Alliance Application. The 2002

Annual Reports of Air New Zealand and of Qantas are available at www.airnz.co.nz and www.qantas.com.au respectively.

Reasons for the proposal and the intentions for the merged business

28. The rationale for the Transactions is set out in detail in paragraphs 75-89 of the Alliance Application (under the heading “Rationale”).
29. Similarly, the Parties’ intentions are set out in detail in paragraphs 18-29 of the Alliance Application (under the heading “Transactions”).

PART II: IDENTIFICATION OF MARKETS AFFECTED

Horizontal Aggregation

30. The relevant market definitions in respect of the Transactions are discussed in detail at paragraphs 116-173 of the Alliance Application, and in section 2.2 and Appendix A of the NECG Report.
31. From a commercial perspective, the Parties treat the whole of the Australasian market as the natural base for their local operations. The basis for this view is:
 - the Open Skies and Single Aviation Market agreements between New Zealand and Australia which remove the legal or regulatory barriers to Australasian owned and controlled airlines providing services along Australian, trans-Tasman and domestic New Zealand routes and vice versa;
 - the ease of supply-side substitution; and
 - the fact that airlines operating domestically within Australia transfer aircraft to the trans-Tasman routes and to domestic New Zealand routes and vice versa.
32. However the Parties also acknowledge the definition of a market in the Commerce Act. They also believe that whatever the market definition, the Transactions qualify for authorisation.
33. Subject to the above comments, having regard to previous regulatory determinations in New Zealand and Australia, other overseas precedent and the analysis set out in Appendix A of the NECG Report, the relevant markets in which to assess the competition law implications of the Transactions are:
 - (a) the markets for the provision of air passenger services:

- (i) on New Zealand main trunk routes (routes between Auckland, Wellington and Christchurch) (the **New Zealand Main Trunk Market**); and
 - (ii) on New Zealand provincial routes¹ (the **New Zealand Provincial Market**),

(collectively the **New Zealand Domestic Markets**);
 - (iii) on routes between New Zealand and Australia (the **trans-Tasman Market**);
 - (iv) between New Zealand and the Pacific Islands and South East Asian holiday destinations - this includes Fiji, Samoa, Kingdom of Tonga, Cook Islands, Tahiti, Vanuatu, Noumea, Norfolk Island, Honolulu (Hawaii Islands), Bali, and destinations within Malaysia and Thailand (the **Asia/Pacific Destinations Market**);
 - (v) between New Zealand and the United States (the **USA Market**); and
 - (vi) a number of other fully contested international markets,

(collectively, (i) to (vi) above are referred to as the **Passenger Air Services Markets**);
- (b) the markets for the provision of:
- (i) time critical air freight services between points in New Zealand (the **New Zealand same-day Freight Market**); and
 - (ii) international air freight services to or from New Zealand (the **International Air Freight Market**),

(collectively the **Freight Markets**); and
- (c) associated markets, including the markets for:
- (i) the provision of travel distribution services in New Zealand (the **Travel Distribution Services Market**);
 - (ii) the provision of engineering and maintenance services in New Zealand (the **Engineering Services Market**);

¹ Qantas indirectly competes with Air New Zealand on certain provincial routes by way of a codeshare with Origin Pacific
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- (iii) the provision of Computer Reservation Systems (**CRS**) and Global Distribution Systems (**GDS**) in New Zealand (the **CRS/GDS Market**); and
 - (iv) the provision of terminal and ground handling services in New Zealand (the **Terminal Services Market**),
- (collectively, the **Associated Markets**).

Differentiated product markets

34. Market characteristics are dealt with in the Alliance Application and the NECG Report. For present purposes, the Applicant notes that there is product differentiation. However, even within the services airlines offer, price competition is fierce.
35. Turning to the questions in paragraph 13 of the Commission's application form:
- (a) *Differentiation characteristics*

As noted in paragraphs 125 - 135 of the Alliance Application, for the purposes of market definition, there is no relevant distinction between business and leisure passengers or economy and business/first class passengers. That application notes that airlines offer an array of fare types to meet different demand characteristics. Nonetheless, even VBAs, which may be perceived to offer a differentiated product, compete for all segments of the market. Paragraph 60 of the Alliance Application refers to Virgin Blue's CEO comments in November 2000:

"We are very much focussed now on the business market as well. We're focussed on all markets and we're pricing accordingly."²

and in mid 2002:

"There are a hell of a lot of people getting off aircraft at 7am in Sydney, and they're all wearing suits."³

- (b) *Tailoring to niches*

Tailoring of products to meet market niches has not traditionally been a viable option for FSAs which have had to offer a range of services (any tailoring has been

² ninemsn, Business Sunday Interview: Brett Godfrey, CEO, Virgin Blue, 26 November, 2000, http://finance.ninemsn.com.au/businesssunday/Interviews/stories/story_1317.asp

³ Airline Business, June 2002

in the context of the “full service” product offering). This traditional approach has been dramatically challenged by the emergence and success of VBAs, which have, at least initially, offered a more limited product range. As the above quotes indicate, this has not hindered VBAs’ ability to target a range of demand characteristics.

(c) *Close/distant substitutes*

As noted on page 177 in section A.1.1 in schedule A of the NECG Report (discussing market definition):

“While the demand side of the market is characterised by a wide range of characteristics, which airlines seek to exploit through price discrimination, there is likely to be a continuous “chain of substitution” that links all these fares – from the most budget to the first class. . . .”

(d) *Constraints from other suppliers*

Constraints on the Parties are described in detail in the “Market Characteristics” section of the Alliance Application (paragraphs 262 – 345).

Vertical integration

36. The proposal will not result in material vertical integration.

Previous acquisitions

37. Neither Air New Zealand nor Qantas (nor their interconnected bodies corporate) have acquired materially relevant business assets or shares, or filed a clearance or authorisation application in respect of a business acquisition, in the last three years.

PART III: CONSTRAINTS ON MARKET POWER BY EXISTING COMPETITION

Existing competitors

38. The Applicant refers the Commission to the Alliance Application, which includes a detailed section “Assessment of Constraints in the Relevant Markets” (paragraphs 268 - 345). The relevant passenger air services markets, and competitor and/or market share details, as applicable (and Alliance Application paragraphs references) are:

- (a) *New Zealand Main Trunk Market* (paragraph 268);
- (b) *New Zealand Provincial Market* (paragraph 291);

- (c) *Trans-Tasman Market* (paragraph 299);
- (d) *Asia/Pacific Destinations Market* (paragraph 324);
- (e) *New Zealand – USA Market* (paragraph 333); and
- (f) *New Zealand – UK/Europe* (paragraph 341).

Other considerations

39. There is a range of firms either operating in relevant markets, or operating in markets adjacent to those markets, which could expand within a market or from one market to another. The Applicant refers to the discussion on Barriers to Entry/Expansion and Market Conditions in the Alliance Application.

Conditions of expansion

40. Barriers to Entry/Expansion are fully discussed at paragraphs 174 - 259 of the Alliance Application.

Co-ordinated market power

41. The Transactions will not result in an environment more conducive to tacit or explicit co-ordination between airlines. The reasons given by NECG for rejecting a “cosy duopoly” counterfactual apply with even greater force to reject the possibility of tacit collusion or co-ordination effects. Fixed costs are high, marginal costs are very low, the product is highly perishable, and sales occur in small units, with prices that are complex and relatively difficult to observe. These features make for very strong competition.

PART IV: CONSTRAINTS ON MARKET POWER BY POTENTIAL COMPETITION

42. The Applicant refers the Commission to paragraphs 174 - 259 (Barriers to Entry/Expansion) and 262 -345 (Market Characteristics) of the Alliance Application.

PART V: OTHER POTENTIAL CONSTRAINTS

43. Please refer to paragraph 42 above.

PART VI: PUBLIC BENEFIT

The statutory test

44. Under section 67(3) (a) and (b) of the Commerce Act, the Commission must:

- (a) grant a **clearance** for a proposed acquisition if it is satisfied (on the balance of probabilities) that the acquisition will not have, or not be likely to have, the effect of substantially lessening competition in a market; and
 - (b) grant an **authorisation** for a proposed acquisition if it is satisfied (on the balance of probabilities) that the acquisition will result in, or will be likely to result in, such a benefit to the public that it should be permitted.
45. As noted, the proposed acquisition cannot be considered in isolation because the Strategic Alliance and the Equity Proposal are interdependent and conditional on each other. For this reason, the analysis of the likely competitive detriments and likely public benefits (“such a benefit”, to use the section 67(3) wording) of the Transactions cannot be separated. (If that were not the case then the Applicant notes that any detriments and benefits would arguably flow from the Strategic Alliance, in which case the Commission could grant clearance in respect of this Application on the basis that the Equity Proposal would have no further substantial competitive effects.)

Balancing

46. The competitive effects, public benefits and the balancing of them is comprehensively discussed in the NECG Report and summarised in the Alliance Application.
47. The NECG Report concludes that the Transactions will result in very substantial public benefits. These include:
- (a) cost efficiencies;
 - (b) scheduling efficiencies;
 - (c) tourism benefits;
 - (d) engineering and maintenance benefits;
 - (e) freight benefits;
 - (f) capital related efficiencies;
 - (g) increased global competitiveness; and
 - (h) preservation of the New Zealand national flag carrier.

48. The NECG Report quantifies those benefits which are capable of empirical evidence and concludes that the net benefits attributable to New Zealand are considerable (over NZ\$1.4 billion). Clearly, the quantifiable benefits significantly exceed the quantifiable detriments.
49. However, not all the benefits identified in paragraph 47 are capable of being rigorously quantified. The Parties have therefore not sought to quantify and therefore place numerical weight on all the benefits which flow from the Transactions. This relates, in particular, to benefits such as:
- (a) capital related efficiencies;
 - (b) the greater sustainability of a national flag carrier; and
 - (c) the increased ability of the Parties to compete and operate globally.
50. As a result, the quantified estimates of the total public benefits to New Zealand deriving from the Transactions are conservative. This is particularly so as the analysis has not sought to quantify the social costs that would arise if Air New Zealand were forced as a result of a period of sustained competition to scale back the scope of its operations.

SCHEDULE 1
Qantas Controlled Entities and Associates

<i>Controlled Entities</i>	<i>Country of Incorporation</i>	<i>Ownership Interest %</i>
Qantair Limited	Australia	100
Q.H. Tours Limited	Australia	100
Holiday Tours and Travel Pte Limited	Singapore	75
Jetabout Holidays Pte Limited	Singapore	75
Tour East Singapore (1996) Pte Limited	Singapore	75
Tour East (Hong Kong) Limited	Hong Kong	75
PT Tour East Indonesia	Indonesia	60
PT Pacto Holiday Tours	Indonesia	53
Holiday Tours and Travel Limited (Taiwan)	Taiwan	75
Holiday Tours and Travel Limited	Hong Kong	75
Holiday Tours and travel (Korea) Limited	South Korea	75
QH International Co, Limited	Japan	100
Jetabout Japan Inc	Japan	100
QH Tours (UK) Limited	United Kingdom	100
Qantas Holidays Limited	Australia	100
Qantas Viva! Holidays Limited	Australia	100
QH Cruises Pty Limited	Australia	100
Qantas Information Technology Limited	Australia	100
Qantas Airline Systems and Research Limited	Australia	100
Qantas Flight Catering Holdings Limited	Australia	100
Qantas Flight Catering Limited	Australia	100

Caterair Airport Services Pty Limited	Australia	100
Caterair Airports Services (Sydney) Pty Limited	Australia	51
Airport Infrastructure Finance Pty Limited	Australia	100
Waruda Holdings Pty Limited	Australia	100
Cairns Wholesale Bakery and Patisserie Pty Limited	Australia	100
Asia Pacific Distribution Limited	Australia	100
Qantas Limited	Australia	100
Airconnex Pty Limited	Australia	100
Southern Cross Insurances Pty Limited	Singapore	100
Qantas Superannuation Limited	Australia	100
Qanlease Limited	Australia	100
Qanfad Pty Limited	Australia	100
BD No 1 Limited	Cayman Islands	100
Kurrajong Limited	Cayman Islands	100
EMSYS Pty Limited	Australia	100
Mitokal Pty Limited	Australia	100
Qantas Defence Services Pty Limited	Australia	100
Snap Fresh Pty Limited	Australia	100
738 Leasing 1 Pty Limited	Australia	100
738 Leasing 2 Pty Limited	Australia	100
QF 738 Leasing 3 Pty Limited	Australia	100
QF 738 Leasing 4 Pty Limited	Australia	100
QF 738 Leasing 5 Pty Limited	Australia	100

QF 738 Leasing 6 Pty Limited	Australia	100
QF 744 Leasing 1 Pty Limited	Australia	100
QF 744 Leasing 2 Pty Limited	Australia	100
QF 744 Leasing 3 Pty Limited	Australia	100
QF 744 Leasing 4 Pty Limited	Australia	100
QF 744 Leasing 5 Pty Limited	Australia	100
QF 744 Leasing 6 Pty Limited	Australia	100
QF A332 Leasing 1 Pty Limited	Australia	100
QF A332 Leasing 2 Pty Limited	Australia	100
QF A332 Leasing 3 Pty Limited	Australia	100
QF A332 Leasing 4 Pty Limited	Australia	100
QF A332 Leasing 5 Pty Limited	Australia	100
QF A332 Leasing 6 Pty Limited	Australia	100
QF A333 Leasing 1 Pty Limited	Australia	100
QF A333 Leasing 2 Pty Limited	Australia	100
QF A338 Leasing 1 Pty Limited	Australia	100
QF A388 Leasing 2 Pty Limited	Australia	100
Australian Airlines Limited	Australia	100
Australian Wetleasing Operations Pty Limited	Australia	100
Jetconnect Limited	New Zealand	100
AAL Aviation Limited	Australia	100
Star Handling Services Pty Limited	Australia	100
Australian Airlines Express Courier Pty Limited	Australia	100

ARANS Superannuation Pty Limited	Australia	100
AAFE Superannuation Pty Limited	Australia	100
TAA Superannuation Pty Limited	Australia	100
Australian Regional Airlines Pty Limited	Australia	100
Sunstate Airlines (Qld) Pty Limited	Australia	100
Southern Australia Airlines Pty Limited	Australia	100
Airlink Pty Limited	Australia	100
Australian Regional Airlines (Qld) Pty Limited	Australia	100
Air Queensland Pty Limited	Australia	100
Eastern Australia Airlines Pty Limited	Australia	100
ACN 000 199 468 Pty Limited	Australia	100
Impulse Airlines Holdings Limited	Australia	100
Impulse Airlines Australia Pty Limited	Australia	100
Impulse Airlines Pty Limited	Australia	100
Impulse Communications Pty Limited	Australia	100
First Brisbane Airport Pty Limited	Australia	100
Second Brisbane Airport Pty Limited	Australia	100
TAA Aviation Pty Limited	Australia	100
Nostam Pty Limited	Australia	100
Denmell Pty Limited	Australia	100
Denmint Pty Limited	Australia	100
Denmost Pty Limited	Australia	100
Denold Pty Limited	Australia	100
Denpen Pty Limited	Australia	100
Denpet Pty Limited	Australia	100

Denpost Pty Limited	Australia	100
Denrac Pty Limited	Australia	100
Densale Pty Limited	Australia	100
Denseed Pty Limited	Australia	100
Denshore Pty Limited	Australia	100
Densip Pty Limited	Australia	100
Densound Pty Limited	Australia	100
oneworld Handling Services Pty Limited	Australia	100
Engine No 9 Pty Limited	Australia	100

Associated Entities***Ownership******Interest %***

Airport Coordination Australia Pty Limited	40.8
Airport Fuel Services Pty Limited	20
AGC Holdings Limited	15.3
Air Pacific Limited	46.3
Australian Air Express Limited	50
Fiji Resorts Limited	20.99
Harvey Holidays Limited	50
Hallmark Aviation Services LP	49
Holiday Tours & Travel (Thailand) Limited	36.8
Holiday Tours and Travel Sdn Bhd	22.5
Jupiter Air Oceania Limited	47.6
TET Limited	36.8

Travel Software Solutions Pty Limited	50
Cargonet Pty Limited	50
SCDS Holdings Pty Limited	50
TIAS NZ Limited	50
Traveltrack Solutions Pty Limited	50
Travel Technologies Pty Limited	50

SCHEDULE 2

British Airways' subsidiaries and associated companies

Airways Aero Associations Limited

Air Miles Travel Promotions Limited

Britair Holdings Limited

British Airways Associated Companies Limited

British Airways Australia (Holdings) Limited

British Airways Avionic Engineering Limited

British Airways Capital Limited

British Airways CitiExpress Limited (previously Brymon Airways Limited)

British Airways (European Operations at Gatwick) Limited

British Airways Finance B V

British Airways Financial Services Limited (HSBC partnership)

British Airways Global Financial Services Limited (Royal Bank of Canada partnership)

British Airways Holdings Limited

British Airways Holidays Limited

British Airways Interior Engineering Limited

British Airways Maintenance Cardiff Limited

British Airways Leasing Limited

British Airways Quest Limited

British Airways Regional Limited

British Airways Travel Shops Limited

British Airways Visitors Services Limited

British Airways and American Airlines Holdings Limited (previously Mainonly Ltd)

British Asia Airways Limited

Chameleon Training & Consulting Ltd (formerly Speedwing Training Ltd)

CityFlyer Express Ltd

Deutsche B A Holding GmbH (formerly Deutsche B A Luftfahrtunternehmen GmbH)

Flyline Tele Sales & Services GmbH

Illiad Inc

Ivanhoe Investments Limited (in liq)

Laker Airways International Limited (in liq)

British Airways Mileage Company Limited (formerly Peeled Limited)

North Book Reservations and Space Control Services AB

Speedbird Insurance Company Limited

Speedwing International Limited (formerly Speedwing Logica Limited)

Teleflight Limited

The London Eye Company Limited

Web Travel Systems Limited (formerly Travicom Limited)

EMG Marketing Ltd

Travel Vision Ltd

Lola Travel Ltd

British Airways Investments (Australia) Pty Limited

Britair Engineering Services Inc

Intercontinental Navigation Lines Inc (trading as British Airways Tours Inc - formerly Dollarstretcher)

Overseas Air Travel Limited

British Airways and American Airlines Holdings BV

Deutsche B A Luftfahrtgesellschaft mbH (formerly Delta Air Ltd)

BRAL Group Plc

Manx Airways

Rathreed Limited

BRAL Scotland Limited

British Regional Airlines Limited

Brymon Airways Limited (formerly British Airways Citiexpress Limited)

Speedwing Airport Services Malaysia Limited

Remotereport Trading Limited

SCHEDULE 3**Air New Zealand's subsidiaries and affiliates**

<i>Name</i>	<i>Ownership</i>	<i>Activity</i>
Air Nelson Limited	100%	Aviation
Air New Zealand (Australia) Pty Limited	100%	Holding Company
Air New Zealand Destinations Limited	100%	Hotel Reservations and Events Marketing
Ansett Australia and Air New Zealand Engineering Services Limited	100%	Engineering Services
Blue Pacific Tours Limited	100%	Travel Wholesaling
Eagle Aviation Limited	100%	Aviation
Jetset Travel and Technology Holdings Pty Limited	100%	Travel Products and Technology Distribution
New Zealand International Airlines Limited	100%	Aircraft Leasing and Financing
Safeair Limited	100%	Aviation Engineering
South Pacific Air Charters Limited	100%	Aviation
Tasman Aviation Enterprises (Queensland) Pty Limited	100%	Engineering Services
The Mt Cook Group Limited	100%	Aviation and Skifield Operations
Ansett Holdings Limited	100%	Holding Company
Ansett Australia Limited	100%	Aviation

Aeropelican Air Services Pty Limited	100%	Aviation
Hazelton Airlines Limited	100%	Aviation
Kendell Airlines (Aust.) Pty Limited	100%	Aviation
Show Group Pty Limited	100%	Travel Products
Sky West Airlines Pty Limited	100%	Aviation
Travel Land International Pty Limited	100%	Travel Products
Travel Industries Automated Systems Pty Limited (TIAS)	50%	Travel Agent Related Systems Services
Christchurch Engine Centre (JD8-Dart)	49%	Engineering Services
Ansett International Limited	49%	Aviation