

## APPENDIX II

### Glossary<sup>1</sup>

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| <b>ACCC</b>                              | Australian Competition and Consumer Commission.   |
| <b>Air New Zealand</b>                   | Air New Zealand Limited, a company incorporated under the laws of New Zealand, having its registered office at Level 19, Quay Tower, 29 Customs Street West, Auckland, New Zealand (AK/104799).   |
| <b>Air Services Agreement</b>            | An agreement (usually but not necessarily of treaty status) between governments regulating international air services to and from their territories.  |
| <b>Air Services Arrangements (ASAs)</b>  | A set of arrangements between governments regulating the operation of international air services between two countries to and from their territories. These arrangements usually comprise an Air Services Agreement and any Memoranda of Understanding. See Schedule 3(b) for a more comprehensive explanation. |
| <b>Alliance</b>                          | An agreement between airlines to co-operate. See <b>Marketing Alliance</b> and <b>Integrated Alliance</b> .   |
| <b>Available Seat Kilometres (ASKs)</b>  | The number of seats made available for sale multiplied by the distance (in kilometres) flown – used as a measure of capacity.   |
| <b>Available Tonne Kilometres (ATKs)</b> | The number of tonnes of capacity available for the carriage of revenue load (passengers and cargo) multiplied by the distance flown (in kilometres).  |
| <b>Beyond Rights</b>                     | The right of a carrier from one country to fly to another country then beyond to a third country picking up passengers in that second country (a form of Fifth Freedom rights).   |
| <b>Bilateral</b>                         | An Air Services Arrangement between two countries. See Schedule 3(b) for a more comprehensive explanation.  |
| <b>Blocked Space Agreement</b>           | A type of Codesharing arrangement under which the Marketing Carrier is guaranteed a fixed number of seats on a flight.  |
| <b>Breakeven Load Factor</b>             | The load factor required to equate total traffic revenue with operating cost.   |
| <b>Cabotage</b>                          | Provision of commercial domestic air services and carriage of domestic traffic within a country. (See <b>Eighth Freedom</b> )   |
| <b>Capacity Allocation</b>               | The allocation of capacity entitlements to individual airlines to fly services available under ASAs.  |

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<sup>1</sup> This glossary is based on the glossary in the Productivity Commission International Air Services – Inquiry Report No. 2 11 September 1998

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| <b>City Designation</b>                  | The designation of air services to particular cities, or a choice of cities specified under an ASA.   |
| <b>City Pair</b>                         | An air route between two cities.  |
| <b>City Presence</b>                     | City Presence represents the additional revenue beyond fair revenue share that is earned by the market-leading carrier in a city. The additional revenue represents a premium for factors such as providing more capacity, frequency, and/or breadth of service out of a city. In general, a carrier accrues a revenue advantage once it is established as the clear number one carrier in a city.  |
| <b>Codesharing</b>                       | The performance of a flight and sale/carriage of traffic on that flight under the designator codes of the operating carrier and one or more Marketing Carriers. For example the operation of a service by Air New Zealand which corners the 'NZ' and 'QF' codes and is sold as an Air New Zealand and Qantas service.   |
| <b>Commission</b>                        | The New Zealand Commerce Commission.  |
| <b>Computer Reservation System (CRS)</b> | Airlines' internal computerised reservation system which provides information to subscribers (often travel agents) on airline schedules, fares and seat availability e.g. for Air New Zealand – Carina. See Schedule 3(e) for a more comprehensive explanation.   |
| <b>Connectivity</b>                      | <p>The ability for a carrier to supplement local passengers on a given sector with passengers that connect at the origin or destination city. E.g., for Air New Zealand, providing the sector WLG-AKL with connections to LAX, SIN, NRT, etc. The additional connect traffic allows a carrier to perform better than a competitor that does not provide connect options.</p> <p>Connectivity is divided into two components:</p> <ul style="list-style-type: none"> <li>Online - Connections that are made on the same carrier</li> <li>Interline - Connections that are made to a different carrier</li> </ul> |
| <b>Consolidator (Consol)</b>             | Organisation which combines airfares (often as part of, for example, a package holiday) on a wholesale basis to retail agents.  |
| <b>Cost per ASK</b>                      | Cost divided by the number of ASKs (Available Seat Kilometres) flown – measure of unit cost.  |
| <b>Dead Load</b>                         | Non-passenger load. Rate paid by Cargo for cargo capacity.  |
| <b>Dedicated Freight Aircraft</b>        | An aircraft set up to transport freight only.   |
| <b>Department of Transportation</b>      | See <b>US DOT</b>   |
| <b>Direct Flight</b>                     | A flight (may involve intermediate stops), with no change of aircraft.  |
| <b>Dry Lease</b>                         | Aircraft only lease, i.e. without any crew.   |
| <b>Economies of</b>                      | A fall in average unit costs as the number of routes increases.   |

## Network Size

**Economies Of Traffic Density** A fall in average unit costs as the number of passengers travelling on a particular route(s) increases.

**Filed/Published Fare** retail fares established and published by airlines in CRSs and by other means and available for sale to the public.

**Flag Carrier** A country's national airline.

**Freedoms Of The Air** Types of international aviation rights established under ASAs. See Schedule 3(a) for a more comprehensive explanation.

**First Freedom** The right to fly across another state without landing.

**Second Freedom** The right to land in another state for non-traffic purposes, (e.g. refuelling, mechanical requirement) but not for the purpose of uplifting passengers or discharging traffic.

**Third Freedom** The right to off load revenue traffic (e.g. passengers, mail and freight) in a foreign country originating from the carrier's home country. E.g. Air New Zealand's Auckland – Papeete (Tahiti) service.

**Fourth Freedom** The right to take on in another state revenue traffic destined for the carrier's home country. E.g. Air New Zealand's Papeete – Auckland service.

**Fifth Freedom** The right to fly from a carrier's home country to a foreign country, and pick up revenue traffic and deposit it in another foreign country. E.g. the Auckland – Sydney leg of Thai Airways' Bangkok – Auckland – Sydney.

**Sixth Freedom** The right to carry traffic between two foreign countries via the airline's home country provided the aircraft touches down in the airline's home country. E.g. Air New Zealand's carriage of Australia – USA traffic on its Sydney – Auckland – Los Angeles service.

**Seventh Freedom** The right to carry traffic on flights that originate in a foreign country and terminate in another foreign country (without a requirement that the aircraft touches down in its home country). E.g. Air New Zealand's Sydney – Los Angeles service.

**Eighth Freedom** The right for an airline to carry domestic traffic between points in a foreign country on a flight originating in the airline's home country. E.g. the Auckland – Wellington leg of Qantas' former Brisbane – Auckland – Wellington service.

**Ninth Freedom** The right for an airline to carry traffic from one point in a foreign country to another point in the same country (without a requirement the flight originates in the airline's home country). E.g. Qantas' Auckland –

Christchurch service.

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| <b>Freesale</b>                          | A type of Codeshare arrangement where no inventory is held/blocked for the Marketing Carrier. The Marketing Carrier sells into the Operating Carrier's inventory.   |
| <b>Freight-Tonne Kilometres</b>          | The number of revenue tonnes of freight multiplied by the kilometres flown.   |
| <b>Frequent-Flyer Programs (FFPs)</b>    | Airline loyalty programs granting customers "points" or flights on the basis, among other things, of the distance they have flown. Points generally can be cashed in for free flights, upgrades in cabin services, or non-airline services or items.  |
| <b>Full Service Airline (FSA)</b>        | An airline with a higher cost structure than a VBA due to "frills service", extensive networks, interlining and FFP (among other features).   |
| <b>Global Distribution System (GDSs)</b> | A tool that allows travel agents or other licensed users to generate travel service options available in response to a particular query, for example all flights from Auckland to Sydney on 1 February 2003. See Schedule 3(e) for a more comprehensive explanation.  |
| <b>Equity Proposal</b>                   | The acquisition by Qantas of 1,220,328,660 ordinary shares (if Air New Zealand makes no further issues before Qantas acquires its final tranche of shares) comprising a 22.5% voting equity interest in Air New Zealand as per the Subscription Deed entered into by Qantas and Air New Zealand on 25 November 2002 and attached as Appendix 2. |
| <b>Grandfather Rights</b>                | The allocation of airport take-off and landing slots based on the past and/or current allocation.   |
| <b>GSA Commissions</b>                   | Commission paid to an alternative representative (travel agents/wholesalers/another carrier etc) who sell the Airline's product/service on behalf of the airline when the airline does not have a sales presence at that location.  |
| <b>Handback</b>                          | The return of unused codeshare space – associated with a Blocked Space Codeshare arrangement.   |
| <b>Hard Block</b>                        | Within a codeshare agreement, where a Marketing Carrier buys a fixed number of seats from the operating carrier and is unable to return the unsold seats.   |
| <b>Hub and Spoke Network</b>             | A network of routes operating through a central hub point. Airlines may channel and increase traffic through hub points.  |
| <b>Integrated Alliance</b>               | Typically involve a high degree of integration of the airlines concerned, e.g. co-ordination of fares, schedules, service levels and yield and capacity management.   |
| <b>Interline Agreement</b>               | An agreement between two airlines for interlining.  |
| <b>Interlining</b>                       | The issue by one airline (the ticketing carriers) of a ticket coupon for carriage by another airline, where the ticketing carrier is acting as agent of the other airline.  |
| <b>Intermediate Rights</b>               | The right of a carrier from one country to fly to another country via a third country (a form of Fifth Freedom rights).   |

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| <b>JAO Networks</b>                   | The entire network of sectors flown from time to time (both within domestic New Zealand and internationally) by Air New Zealand, its subsidiaries or airlines Air New Zealand effectively controls (excluding Freedom Air) including that proportion of flights operated by other airlines on which Air New Zealand codeshares, and all domestic New Zealand sectors and international sectors departing from or arriving in New Zealand flown from time to time by Qantas, its subsidiaries or airlines Qantas effectively controls, including flights operated by other airlines on which Qantas codeshares. |
| <b>Joint Airline Operations (JAO)</b> | The Agreements reached by the Applicants as set out in the Strategic Alliance Agreement to co-operate and co-ordinate their respective operations in relation to the JAO Networks.   |
| <b>Landing and Take-off Slots</b>     | A landing and/or take-off time at an airport. (Usually associated with an allocation to carriers of specific scheduled arrival/departure time slots for aircraft movements at slot co-ordinated airports).   |
| <b>Load Factor</b>                    | See <b>Passenger Load Factor</b>   |
| <b>Marketing Alliances</b>            | Typically offer the consumer the benefit of broader networks, more seamless travel and expanded loyalty programmes. Member airlines generally continue to offer fares, schedules and services independently.   |
| <b>Marketing Capacity (MASKs)</b>     | ASKs which are sold as flights on a carrier. This will differ from actual ASKs due to blocked space agreements with partner airlines, such as Air New Zealand's seat sale to Japan Airlines on some flights to Japan.  |
| <b>Marketing Carrier</b>              | A carrier that markets and sells space on another carrier's aircraft (Operating Carrier) under its own code.   |
| <b>Memorandum of Understanding</b>    | An agreement between two countries. With regard to ASAs, it is a less formal type of agreement (without treaty status) that is considered to be as binding as a formal agreement.  |
| <b>Multiple Designation</b>           | Provision for more than one national airline of a country to be designated by its Government for international air services under that country's ASAs.   |
| <b>Non-scheduled Airline</b>          | Any air transport enterprise only offering air transport services to the public that are not performed according to a regular timetable.   |
| <b>Net Fares</b>                      | Unpublished fare, the value of which is expressed as the amount the airline expects the travel agent to remit to the airline for the fare, net of commission or taxes. Net fares are generally referred to as non-commissionable, since the agent's commission is actually the selling mark-up above the net fare amount.  |
| <b>Non-scheduled Services</b>         | Flights performed for remuneration on an irregular basis. Both scheduled and non-scheduled airlines can provide non-scheduled services. Can apply to either passengers or freight.   |
| <b>Non-stop Flight</b>                | A flight with no intermediate stops.   |
| <b>oneworld</b>                       | The airline alliance between, as at the date of this application, between Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LanChile and Qantas.  |

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| <b>Open Skies</b>                                  | A liberal ASA under which participating Governments agree to the removal of restrictions on access to each country's market, such as restrictions on capacity, frequency, ability to codeshare and points of access. Commonly, restrictions remain on cabotage Seventh Freedom, foreign control and sometimes on foreign ownership requirements. See Schedule 3(b) for a more comprehensive explanation. |
| <b>Operating Capacity – (OASKs)</b>                | ASKs which are physically flown by an airline.   |
| <b>Operating Carrier</b>                           | A carrier under a Codeshare arrangement that operates the relevant service.  |
| <b>Origin– Destination (OD) Traffic</b>            | A measure of airline (passenger) traffic between the commencement point of an air passenger's journey and the end point or turnaround point of the journey, as distinguished from uplift– discharge traffic.   |
| <b>Passenger Load Factor (LF)</b>                  | Revenue Passenger kilometres (RPKs) as a percentage of Available Seat Kilometres (ASKs).   |
| <b>Qantas</b>                                      | Qantas Airways Limited, a business incorporated under the laws of Australia, having its registered office at Qantas Centre, Level 9, Building A, 203 Coward Street, Mascot, NSW 2020, Australia (ABN 16 009 661 901).  |
| <b>Related Agreements</b>                          | The Subscription Agreement, Co-ordination Agreement, Sell Down and Voting Deed, Transition Deed, Reciprocal Board Representation Deed and Top-Up Deed entered into by Air New Zealand and Qantas on 25 November 2002, attached as Appendix 1.  |
| <b>Revenue Load Factor (LF)</b>                    | Revenue Tonne Kilometres (RTKs) as a percentage of ATKs.   |
| <b>Revenue Management</b>                          | Manipulation of availability of fares to attempt to maximise revenue from each flight. Revenue management systems are based on estimating the number of full fare tickets that would be sold on a particular flight, then offering the remaining tickets at varying discounts to induce demand from more price-sensitive passengers. See Schedule 3(h) for a more comprehensive explanation.             |
| <b>Revenue Passenger Kilometres (RPK's)</b>        | The number of paying passengers carried multiplied by the number of kilometres flown.  |
| <b>Revenue per Available Seat Kilometre (RASK)</b> | Net Revenue divided by the number of ASKs flown. A measure of unit revenue.  |
| <b>Revenue Pooling</b>                             | An agreement between airlines to share all revenue on a route or sector irrespective of the revenue generated by each individual airline on the route. Also referred to as Revenue Sharing.  |
| <b>Revenue Sharing</b>                             | See <b>Revenue Pooling</b>   |
| <b>Revenue Tonne</b>                               | The revenue load (passengers and cargo) multiplied by the distance flown.  |

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| <b>Kilometres (RTKs)</b>            |   |
| <b>Route</b>                        | An air service between two points.  |
| <b>Scheduled Airline</b>            | Any air transport entity offering or operating a regular air service according to a published timetable (can also operate non-scheduled services).  |
| <b>Scheduled Services</b>           | Flights listed in a published timetable (or that are so regular and frequent as to constitute a recognisable pattern).  |
| <b>Sector</b>                       | A non-stop (excluding technical stops where no passenger or freight are picked up or dropped off) flight leg between two points.  |
| <b>Single Aviation Market (SAM)</b> | A formal agreement between New Zealand and Australia, under which the two countries are treated as if they were one.  |
| <b>Single Designation</b>           | Provision for only one national airline of a country to be designated by its Government for international air services under that country's ASAs.   |
| <b>Soft Block</b>                   | A block of seats which are allocated to the Marketing Carrier under a Codeshare arrangement, but where the Marketing Carrier can hand back unsold seats without incurring the seat charge (as per the agreement).   |
| <b>Stage Length</b>                 | The distance flown between take-off and landing.  |
| <b>Stop-over Traffic</b>            | Passengers that fly to a city, spend a period longer than 24 hours at the city, and then continue to a different city. In general, the carrier that offers coverage of all the cities on the passenger's itinerary has a disproportionate probability of capturing that passenger's business. |
| <b>Substantial Ownership</b>        | All or majority ownership of an airline by citizens in the country of registration. There is no internationally agreed standard, so each country can determine what it accepts as substantial ownership.  |
| <b>Star Alliance</b>                | The airline alliance between, as at the date of this application, Air Canada, Air New Zealand, All Nippon Airways, Austrian Airlines, British Midland, Lauda Air, Lufthansa, Mexicana, SAS, Singapore Airlines, Thai Airways, Tyrolean Airways, United Airlines and Varig.                    |
| <b>Strategic Alliance Agreement</b> | The agreement by that name entered into by Air New Zealand and Qantas on 25 November 2002 which provides for the co-operation and co-ordination of the Applicants' activities in respect of the JAO Network and non-JAO Network business.   |
| <b>Tariff</b>                       | Passenger airfare and/or cargo rate.  |
| <b>Terminal Slot</b>                | A gate at an airport terminal for unloading and boarding passengers and/or freight at a specified time.   |
| <b>Thin Route</b>                   | Route over which traffic and frequency is low.  |
| <b>Tonne Kilometres Available</b>   | A measure of tonnes available for the carriage of freight, mail and passengers, multiplied by the distance flown.   |
| <b>Tonne Kilometres Performed</b>   | A measure of tonnes of freight, mail and passengers actually carried, multiplied by the distance flown.   |

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| <b>US DOT</b>                            | United States of America Department of Transportation.  |
| <b>Uplift–<br/>Discharge<br/>Traffic</b> | An airline’s (passenger) traffic uplifted at one point on the route and discharged from the same flight at another point on the route (as distinguished from Origin – Destination traffic).       |
| <b>Value Based<br/>Airline (VBA)</b>     | An airline with a low cost structure due to strategies such as “no-frills” services, uniform fleet, short haul and point-to-point services, direct ticket services and high aircraft utilisation. |
| <b>VBA +</b>                             | An airline, although adopting some VBA strategies, retains a number of FSA features not normally associated with a VBAs such as networking in the case of Air New Zealand Express Class.          |
| <b>Wet Lease</b>                         | The Lease of an aircraft with all crew (flight deck and cabin crew).  |
| <b>Yield (¢/RPK)</b>                     | Airline revenue per unit of traffic. Passenger yield is airline revenue per passenger kilometre.  |



