



Australian Competition & Consumer Commission

Our Ref: C2002/1774
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29 January 2003

Mr Michael Gray
Freehills
GPO Box 4227
Sydney NSW 2001

Dear Mr Gray

**Trade Practices Act 1974
Applications for authorisation A30220-2 and A90862-3
lodged by Qantas and Air New Zealand**

Following a more detailed examination of the above applications there are number of further questions, listed below, which the Commission wishes to raise in order to improve its understanding of the proposed conduct and its effect on competition in relevant markets.

Questions

- Q1. What are the background assumptions regarding Origin Pacific's operations, ownership and competitive position in the Factual?
- Q2. What is the Freedom Air strategy over the next five years? How does Freedom Air fit into overall strategy in terms of relative growth, capacity, pricing, etc?

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Q4. Has Air NZ reconsidered entry into the domestic Australian market as an opportunity for expansion of operations and a source of growth as an alternative counterfactual?

Q5. How does the scaling back of operations and capacity by Air NZ in the confidential counterfactual compare with the behavioural assumptions of the Cournot oligopoly model and its price, profit, and market share outcomes?

I would be grateful for a response on these matters by 19 February 2003. If you have any queries in relation to the above requests please contact Greg Outzen on 02 6243 1227.

A copy of this letter, with confidential highlighted sections withheld, will be placed on the Commission's Public Register. It is open to you to seek confidentiality for information supplied in response to this letter.

Yours sincerely



Tim Grimwade
General Manager
Adjudication

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ORGANISATION:
FAX: 02 9322 4000
FROM: Greg Outzen
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Regards

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**Australian
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Commission**

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