



Australian Competition & Consumer Commission

Our Ref: C2002/1774
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10 February 2003

Mr Aldo Nicotra
Blake Dawson Waldron
Locked Bag N6
PO Grosvenor Place
Sydney NSW 2000

Mr Michael Gray
Freehills
GPO Box 4227
Sydney NSW 2001

Dear Mr Nicotra and Mr Gray

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

Thank you for organising the presentation by NECG on Monday 3 February. Commission staff and advisers found it very helpful in enhancing their understanding of the NECG model.

I thought it would be useful following the presentation to review outstanding issues associated with this project, specific questions which have arisen as a result of more detailed examination of the NECG modelling and some process aspects of the Commission's consideration of the above applications.

On our understanding the outstanding issues are:

- (1) Responses to the Commission's queries in its letter of 6 January 2003 are now proposed to be combined with the responses to the Commission's queries in the letter of 29 January 2003.
- (2) Responses to the Commission's queries in the letters of 29 January will be supplied by 19 February 2003.
- (3) The Applicants are to supply the Commission with a copy of the Powerpoint presentation made to the Commission by NECG on 3 February 2003.
- (4) The Applicants are to supply the Commission with copies of the NECG model and associated outcomes updated to take into account:
 - (a) adjustments as detailed in the NECG's letter to the NZCC of 20 January 2003;



- (b) the proposed withdrawal of Air NZ from direct services between Australia and North America; and
 - (c) any other adjustments made to the model subsequent to the version and outcomes appearing in the NECG Report dated 8 December 2002.
- (5) The Applicants are to supply the Commission with details of the modelling, calculations, inputs and assumptions used by Qantas Holidays in estimating tourism responses to marketing initiatives under the Alliance;
- (6) The Applicants are to supply copies of the GTEM and Monash models, including descriptions and assumptions, that have been used to estimate the benefits to the economy of additional tourist expenditure;
- (7) The Applicants are to supply a matrix showing the distribution of surplus between consumers and producers, between the factors of production and between Australia and New Zealand;
- (8) The Applicants, in an email of 4 February 2003 from Michele Laidlaw (BDW), have sought confidentiality for information requested by the Commission and supplied in the form of a paper detailing components, assumptions and relationships for the NECG model. An examination of the model by the Commission has revealed nothing which appears to be of a commercial nature and on this basis the Commission has requested reconsideration of the request for confidentiality.
- (9) At the presentation on 3 February the Applicants raised the possibility of a protocol which would enable interested parties, while not having direct access to the confidential NECG model, to obtain the views of their experts on the modelling and its outputs. After some consideration the Commission has decided that such an approach could compromise the ability of the Commission to fulfil its obligations under the confidentiality provisions of the *Trade Practices Act* and accordingly it will not agree to such an approach.

In the interest of expediting the processing of the above applications I would be grateful for your earliest attention on matters involving the provision of material or information to the Commission. Subject to claims for confidentiality the Commission would expect the material and information provided to be placed on its public register

In terms of the Commission's timetable for responding to the authorisation applications a deadline of 19 February 2003 has been set for the receipt of submissions from interested parties, consistent with the deadline for submissions on the paper on undertakings supplied by the Applicants. It is the Commission's expectation that any response from the Applicants to submissions from interested parties should be received by 5 March 2003. In setting this time frame the Commission notes the Applicants have access to submissions through the Commission's website on a progressive basis as they are lodged.

Finally following the presentation on 3 February and a more detailed examination of the above applications there are a number of questions, as attached, which the Commission wishes to raise on detail associated with the NECG model. I would be grateful for your

response on these matters by 19 February 2003. Further requests are likely as outstanding material and answers to queries are received by the Commission.

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 material 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

A handwritten signature in black ink, appearing to read 'P. Palisi', with a horizontal line extending to the right.

Paul Palisi
A/g General Manager
Adjudication Branch

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TO: Mr Aldo Nicotra
Blake Dawson Waldron

Mr Brett Johnson
Qantas

ORGANISATION:
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