

- (e) Qantas shall participate in Air NZ's commercial management of the JAO Networks through its representation on SAAG and through the involvement of the Qantas Secondedes in the commercial management of the JAO Networks, as provided for in the JAO Governance Principles.

4.3 Strategic Alliance Advisory Group (SAAG)

- (a) On the Effective Date Air NZ and Qantas shall establish SAAG, which shall comprise three representatives appointed by Air NZ and three representatives appointed by Qantas.
- (b) A quorum at any SAAG meeting must include two representatives from each party.
- (c) Air NZ and Qantas will act in good faith to procure that SAAG operates in accordance with the Governance Principles.
- (d) In accordance with the JAO Governance Principles, SAAG shall review and endorse, for reference to the Chief Executive Officers of Air NZ and Qantas, the commercial planning, operations and performance of the JAO Networks and provide advice to Air NZ as commercial manager of the JAO Networks.
- (e) The chairperson of SAAG will rotate annually between the parties, with the first chairperson to be nominated by Air NZ.
- (f) Decisions of SAAG are to be unanimous.
- (g) Unless otherwise provided in this Agreement, any disputes between the members of SAAG shall be subject to escalation for resolution in accordance with the provisions of clause 12.

4.4 Management Fee and Adjustment Payment

- (a) Air NZ has been appointed as the commercial manager of the commercial aspects of the JAO Networks for, amongst other things, the purpose of making the parties equitably profitable (after allowing for agreed capacity charges for each party) in relation to the JAO Networks.
- (b) Air NZ may be entitled to a management fee from, or be required to make an adjustment payment to, Qantas depending on the outcome of Air NZ's commercial management of the JAO Networks as determined in accordance with Part A of Schedule 3.
- (c) The parties agree that the Management Fee and Adjustment Payment Calculation shall be made in accordance with the rules and procedures set out in Schedule 3. As commercial manager of the JAO Networks, Air NZ will make the Management Fee and Adjustment Payment Calculation pursuant to Schedule 3 subject to the right of Qantas to review the calculation for the purpose of verification.
- (d) Each party is entitled to obtain an audit of the Management Fee and Adjustment Payment Calculation in accordance with the audit provisions set out in Schedule 3.

4.5 Performance Review

- (a) Not later than one month after the third anniversary of the Effective Date, the parties will meet to review the operation of the Management Fee and Adjustment Payment Calculation to ensure that the benefits generated through the Alliance and the JAO Networks are being allocated equitably between the parties.

- (b) Where the parties agree that the benefits generated through the Alliance and the JAO Networks are not being allocated equitably, the parties will consider and agree any changes to the Management Fee and Adjustment Payment Calculation or Schedule 3 to address such inequity. If the parties are unable to reach agreement on any amendment which addresses the inequity, the matter will be resolved in accordance with the Dispute Resolution process set out in clause 12.
- (c) Where the parties agree any changes to the Management Fee and Adjustment Payment Calculation, they may also agree to extend the term of the Alliance for a further five years.

4.6 Freedom

- (a) Qantas agrees and acknowledges that the Freedom business model, including its management, cost and fare structures, is not required to be altered in any way by Air NZ's entry into this Agreement or any Related Document.
- (b) Notwithstanding clause 4.6(a), Air NZ acknowledges, and will procure, that:
 - (i) Freedom's Sectors are to be included as a "route group" for the purposes of the Management Fee and Adjustment Payment Calculation; and
 - (ii) the decisions of Freedom's management will be materially consistent with the business plan and budget of Freedom and will not be in conflict with the objectives of the JAO.

4.7 Air NZ Engineering Services Business

- (a) Qantas acknowledges and agrees that Air NZ's engineering services business, including the operations and business activities of Safe Air Limited, Tasman Aviation Enterprises (NSW) Pty Limited and Tasman Aviation Enterprises (Queensland) Pty Limited, is not intended to be subject to any review, control, influence or other decision-making right conferred on Qantas arising out of this Agreement.
- (b) Qantas will treat Air NZ as its preferred external supplier of heavy maintenance services provided that Air NZ's charges and service levels (including quality of service) remain competitive with other external alternatives available to Qantas.

4.8 Branding

To the extent necessary to facilitate the effective commercial management of the JAO Networks, Qantas will grant Air NZ and Air NZ will grant Qantas the right to use their respective logos, trademarks, and trade names on terms to be agreed.

5. CO-ORDINATION OF SERVICES UNDER THE JOINT AIRLINE OPERATIONS

5.1 Co-ordination of Services Under the Joint Airline Operations

Air NZ and Qantas will, to the extent possible, co-ordinate the services and activities specified in clauses 5.2 to 5.11 in order to fulfil the objectives of the Alliance and to ensure the efficient and effective operation of the JAO Networks and their commercial management by Air NZ.

5.2 Pricing and Remuneration Co-ordination

- (a) Air NZ and Qantas will (and (subject to clause 4.6(a)) Air NZ will procure that Freedom will) co-ordinate all aspects of the pricing of passenger and Freight services on the JAO Networks and on the Sectors operated by Freedom including:
- (i) setting passenger fares and Freight rates;
 - (ii) the level of rebates, incentives, promotions or discounts offered to customers;
 - (iii) the level of service fees including but not limited to, direct sale channel booking fees, call centre fees, fare change fees and global distribution system fees;
 - (iv) development of new fare products;
 - (v) airfares made available for, and appropriate promotion of destinations in, holiday packages;
 - (vi) the levels of standard commissions and agency incentives (of any kind) paid to travel agents, consolidators or wholesalers, or Freight forwarders including, without limitation, overrides, performance bonuses, educational/free of charge tickets, prizes, marketing support and management fees; and
 - (vii) joint tendering for corporate and government accounts; and
- (b) Air NZ and Qantas will (and (subject to clause 4.6(a)) Air NZ will procure that Freedom will) co-ordinate procedures for pricing and inventory management in order to facilitate the co-ordination of and the setting and marketing of fares and rates for passenger and Freight services on the JAO Networks and on the Sectors operated by Freedom.

5.3 Information Exchange

Subject to all applicable stock exchange listing rules, contractual restrictions, data protection requirements and privacy laws, the parties will (and (subject to clause 4.6(a)) Air NZ will procure that Freedom will) exchange information relating to the JAO Networks and the Sectors operated by Freedom, including schedules, financial information, pricing, yields, seat availability, Freight capacity availability, sales and any other information reasonably required by the other party in order for the parties to achieve the co-ordination described in clause 5.2, to support Air NZ's commercial management of the JAO or in relation to the preparation by each party of their respective management accounts.

5.4 Scheduling and Capacity Planning

- (a) Air NZ and Qantas will co-ordinate with each other all aspects of the JAO Networks, including scheduling, operations, routings, capacity, frequencies, aircraft types, connection requirements and range of times for any service provided by the parties in order to:
- (i) improve profitability through revenue and cost efficiencies; and
 - (ii) provide consumers with seamless travel through improved connection times and flight schedules.

- (b) Air NZ and Qantas will (and (subject to clause 4.6(a)) Air NZ will procure that Freedom will) co-ordinate scheduling, routings and capacity planning in relation to the JAO Networks and the Sectors operated by Freedom.

5.5 Codesharing

Subject to obtaining all necessary regulatory approvals, any applicable international airline operating rights and any existing contractual arrangements:

- (a) Air NZ grants Qantas the right to Codeshare on any Sector flown within the Air NZ Network;
- (b) Air NZ will procure that Freedom grants Qantas the right to Codeshare on any Sector flown by Freedom, should the practice of Codesharing become available in the Freedom business model;
- (c) Qantas grants Air NZ the right to Codeshare on any Sector flown within the Qantas NZ Network; and
- (d) Qantas grants Air NZ the right to Codeshare on any Qantas Non-JAO Sector flight that reasonably connects to any flight on the JAO Networks. This right will only apply to facilitate the carriage of Air NZ passengers who have a New Zealand point in their itinerary.

5.6 Special Pro Rate Agreement

- (a) Where Qantas is the operating airline on any Sector, it will (upon request) offer Air NZ a special pro rate agreement which will be on such terms as the parties agree, provided that it will be on terms no less favourable than the terms offered by Qantas to other members of the Global Airline Alliance in which Qantas is a member in relation to the relevant Sector.
- (b) Where Air NZ is the operating airline on any Sector, it will (upon request) offer Qantas a special pro rate agreement which will be on such terms as the parties agree, provided that, while Air NZ is a member of a Global Airline Alliance, it will be on terms no less favourable than the terms offered by Air NZ to other members of that Global Airline Alliance in relation to the relevant Sector.
- (c) Should the practice of interlining and entry into pro rate agreements become available in the Freedom business model, Air NZ will procure that Freedom offers to Qantas an interline and pro rate agreement to the fullest extent available under the revised business model. Prior to such an agreement being available, Air NZ will, if requested by Qantas, procure that Freedom will offer Qantas seats on all flights operated by Freedom on terms to be agreed but such terms to be no less favourable than those offered by Freedom to any third party.
- (d) Inventory access for JAO Networks fare products specified in special pro rate agreements shall be the same as for Qantas and Air NZ on-line fare products of a similar type and value.

5.7 Qantas Holidays

While continuing to provide and develop Qantas Holidays' existing portfolio of products, Qantas and Air NZ will take all reasonable steps necessary to facilitate Qantas Holidays maximising the provision of new tourism products which utilise the JAO Networks as part of itineraries offered by Qantas Holidays, including the promotion of New Zealand and Australia as a joint destination.

5.8 Freight

Subject to clause 7.3, Qantas and Air NZ will take all steps necessary to co-ordinate their Freight operations to improve the scope and availability of Freight services to customers in Australia and New Zealand.

5.9 Sales, Marketing and Customer Service

In order to provide consumers with enhanced sales service and a wider choice of travel and Freight products at competitive prices, Air NZ and Qantas may co-ordinate their sales and marketing functions relating to the JAO Networks. This co-ordination may include:

- (a) operating co-branded joint offices and joint retail sales outlets;
- (b) co-locating certain facilities and staff;
- (c) appointing common general sales agents in countries other than Australia and New Zealand;
- (d) conducting joint promotions;
- (e) offering co-ordinated incentive programmes for agents, resellers and customers;
- (f) each party treating all Qantas and Air NZ passengers and Freight as being equivalent, including by providing access to that party's JAO Network, customer lounges, ground services and Freight handling services; and
- (g) providing equivalent customer services to the customers of each other in locations and situations where one party is unable to offer customer services facilities.

5.10 Frequent Flyer Programmes

- (a) Air NZ's and Qantas' frequent flyer programmes shall remain separate and autonomous.
- (b) Air NZ and Qantas will enter into a frequent flyer agreement which shall allow:
 - (i) Air NZ Airpoints members (**Airpoints Members**) to accrue and redeem Air NZ Airpoints on all flights on the Qantas NZ Network and the Qantas Non-JAO Sectors (to the extent that Qantas Frequent Flyer Members (**Frequent Flyer Members**) are entitled to accrue and redeem Qantas Frequent Flyer Points on those flights);
 - (ii) Frequent Flyer Members to accrue and redeem Qantas Frequent Flyer points on all flights on the Air NZ Network and all flights flown by Freedom (to the extent that Airpoints Members are entitled to accrue and redeem Air NZ Airpoints on those flights); and
 - (iii) neither Air NZ nor Qantas shall give preferential access to redemption seat allocation to Airpoints Members over Frequent Flyer Members or vice versa.

5.11 Reservations System Display

Subject to the provisions of existing agreements with other airlines and global distribution system providers, Air NZ and Qantas will, in respect of the JAO Networks, co-operate and, to the greatest extent possible, give priority to each other in the display of each

other's flights (JAO and Non-JAO) in their respective airline reservations systems (**Reservations Systems**) as follows:

- (a) where both parties operate flights over any Sector or route, each party will, display in their Reservation Systems its flights and the other party's flights in order of departure time, ahead of any third party airline's flights (irrespective of the departure times of that third party airline's flights); and
- (b) where only one party operates flights over a Sector or route, the other party will, whenever practicable, give first priority in its Reservations Systems display to those flights ahead of any third party airline's flights,

provided that the parties will comply with all relevant data protection, privacy and competition laws in providing access to its systems, databases and Reservations Systems.

6. ALLIANCE CO-OPERATION

6.1 Co-operation Principles

- (a) In addition to the matters set out in clause 5 (Co-ordination of Services under the JAO) Air NZ and Qantas agree to co-operate on activities in relation to the Non-JAO Networks in accordance with the Non-JAO Governance Principles set out in Part 2 of Schedule 2.
- (b) Air NZ and Qantas will, where they consider it efficient and beneficial to do so, also co-ordinate scheduling and pricing and take any action contemplated by this Agreement in respect of any service, business or operation not included in the JAO Networks.

6.2 Frequent Flyer Programmes

Air NZ and Qantas will co-operate to develop and implement further arrangements and structures designed to deliver additional benefits to each other's customers and frequent flyers, either as part of a bilateral arrangement or pursuant to their participation in the same Global Airline Alliance.

6.3 Inflight Services

Air NZ and Qantas may co-operate in developing an appropriate in-flight experience for passengers. Subject to privacy laws and any relevant contractual restrictions, when co-operating in this regard Air NZ and Qantas will share information, technology, plans and know-how with each other, and may co-ordinate and converge their in-flight products so that passengers can receive the best available inflight experience with respect to safety and, where commercially viable and sustainable, comfort, entertainment, catering and customer service (taking into account the different service and business models each party is operating at the relevant time).

6.4 Products and Services

Air NZ and Qantas will work together to identify, develop and provide new consumer benefits, products, services and pricing strategies for different markets, in order to offer (individually or jointly):

- (a) a global network;
- (b) attractive holiday packages;

- (c) seat sales or other promotions;
- (d) a wide variety of travel options;
- (e) competitive fares (including "round-the-world" fares);
- (f) Freight products; and
- (g) shared freighters.

6.5 Fleet Planning and Flight Operation

Air NZ and Qantas will liaise with each other regarding fleet planning and flight operations strategies, both short and long term and may:

- (a) co-ordinate their individual fleet acquisitions with a view to achieving fleet commonality, in-flight product and interior aircraft configuration convergence, increased purchasing power and flexibility with delivery schedules, aircraft substitution and engineering and maintenance;
- (b) identify future fleet requirements to assess opportunities for joint procurement;
- (c) lease (subject to any third party contracts) aircraft to each other on arms' length terms; and
- (d) subject to any legal or contractual constraints, share knowledge, expertise and experience, to the greatest extent permissible with respect to fleet planning, flight operations, safety and security policies and procurement opportunities and arrangements.

6.6 Information Technology

- (a) Air NZ and Qantas may co-ordinate all aspects of their information technology systems and requirements, including:
 - (i) the licensing, development and use of information technology, whether developed by either party or by third parties (as permitted in any third party contracts);
 - (ii) the granting of licences to each other, any such licences to be negotiated on arms' length terms; and
 - (iii) the development of a long term strategy with respect to the possible integration or joint venturing of information technology systems in order to lower costs and give effect to customer benefits such as through check-in, electronic check-in, internet bookings, electronic tickets, premium customer recognition, travel agency access and to assist each other in the co-ordination of capacity, prices and scheduling.
- (b) Should the parties consider it beneficial, they may agree a manager with appropriate information technology experience to become an additional Qantas Seconded.

6.7 Security, Safety and Emergency Planning

To improve efficiency and ensure the continued safety and security of passengers and crew, Air NZ and Qantas will:

- (a) develop and implement additional safety and security policies and procedures in respect of their use of facilities and services; and
- (b) co-operate on flight disruption and emergency planning and procedures and assist one another during any disrupted flight or emergency affecting either or both parties.

6.8 Purchasing

Air NZ and Qantas will:

- (a) explore joint purchasing options with a view to agreeing the most efficient purchasing practice of third party goods and services; and
- (b) where it is effective and efficient to do so, negotiate with suppliers on behalf of each other (as expressly agreed from time to time) and agree rates in order to obtain the best available rates for goods or services in any country.

6.9 Human Resources

- (a) Where it is efficient and effective to do so, Air NZ and Qantas may pursue joint human resources activities in order to contribute to training of staff, higher service standards, reduce costs and increase productivity. Joint human resources activities may include:
 - (i) agreement as to the best way to resource joint operations, shared offices and jointly undertaken projects;
 - (ii) sharing ideas on organisational structure and roles;
 - (iii) training, including the joint development and delivery of training programmes and shared resources;
 - (iv) sharing ideas on human resource policies and procedures, for example recruitment and communications; and
 - (v) from time to time, seconding employees to each other on terms to be agreed.
- (b) The staffing and location of any joint operations or shared offices will be agreed by the parties to best suit their needs in that country and will take into account which party operates services to that country. The costs of staffing any joint or shared offices will be shared on an agreed basis.

6.10 Airports

Subject to compliance by Air NZ with the Relevant Air NZ Alliance Agreements, Air NZ and Qantas:

- (a) where it is effective and efficient to do so, will operate joint airport lounges, check-in and customer service centres at agreed airports to assist their customers with check-in and transfer arrangements and provide enhanced services at airports; and
- (b) will, where only one of Air NZ or Qantas operates an airport lounge at a particular airport, ensure that each other's eligible passengers have access to such airport lounges on terms to be agreed by the parties.

6.11 Government Relations

Air NZ and Qantas will, after the Effective Date, co-operate and liaise with each other with respect to any representations to be made to their respective Governments or, as appropriate, other governments or aviation regulators relating to the Alliance, including in relation to the allocation or use of capacity rights.

6.12 Further Commercial Opportunities

Air NZ and Qantas may decide to extend the level of co-operation between them for further commercial opportunities to be agreed from time to time, including by the establishment of joint venture operations.

7. ALLIANCE AGREEMENTS

7.1 Relevant Air NZ Agreements

- (a) Nothing in this Agreement shall give rise to an obligation or right the existence or performance of which would breach any Relevant Air NZ Alliance Agreement.
- (b) To the extent, and for so long as, any obligation or right arising out of this Agreement does (but for this clause) through its existence, or would through performance, breach a Relevant Air NZ Alliance Agreement:
 - (i) such obligation or right shall be null and void;
 - (ii) the parties shall treat such obligation or right as never having been created; and
 - (iii) this Agreement shall be deemed to have been amended in all respects necessary to ensure this clause 7.1 is given full effect.

7.2 United Airlines Agreements

Without limiting clause 7.1, Air NZ and Qantas agree that for so long as Air NZ and United Airlines are required pursuant to the United Airlines Agreements and permitted under the required regulatory approvals relating thereto to co-ordinate pricing and capacity in respect of Sectors between NZ and the United States, Air NZ and Qantas will not implement any terms of this Agreement (including, for the avoidance of doubt, the Management Fee and Adjustment Payment Calculation) in relation to the following Sectors:

- (a) NZ/USA (direct and indirect services);
- (b) Sydney/Los Angeles; and
- (c) Los Angeles/London.

7.3 Freight

- (a) Qantas acknowledges that Air NZ has sub-contracted access to aircraft space to New Zealand Post Limited for the transport of Freight within New Zealand (**New Zealand Post Agreement**). Nothing in this Agreement shall give rise to any obligation or right the existence or performance of which would breach any term of the New Zealand Post Agreement.

- (b) Should Air NZ and Qantas consider it beneficial, they may agree a manager with appropriate Freight experience to become an additional Qantas Seconded.

7.4 Third Party Codeshares

Notwithstanding the inclusion of any third party Codeshare services in the JAO Networks, neither Air NZ nor Qantas will take any action which has or may have an adverse effect on the contractual relationship that the other party has under its third party Codeshare arrangements.

7.5 Alternative Means of Achieving Objectives

Subject to the provisions of clauses 7.1, 7.2 and 7.3, Air NZ and Qantas:

- (a) agree to act in good faith and to use all reasonable endeavours to implement the provisions of this Agreement; and
- (b) undertake to co-operate to the maximum extent possible with a view to finding alternative ways of achieving their intended Alliance objectives without causing a breach of any of the Relevant Air NZ Alliance Agreements.

10. MUTUAL OBLIGATIONS

10.1 Restrictive Covenants

Unless previously agreed in writing by Air NZ and Qantas the following provisions shall apply to Air NZ and Qantas as from the Effective Date:

- (a) Air NZ and its Airline Affiliates must not, and Air NZ must procure that Freedom does not, operate on any non-Trans-Tasman Sectors which depart from and/or arrive at an airport in Australia (except that Air NZ shall be permitted to continue to operate its Sydney/Los Angeles Sector); and
- (b) Qantas and/or its Airline Affiliates must not operate on any Sectors which depart from and/or arrive at an airport in New Zealand, other than by flying as part of the JAO Networks.

This clause 10.1 is not subject to clause 12 (Dispute Resolution Process).

10.2 Other Sectors – Airline Growth

- (a) Subject to clause 10.2(b), either Air NZ or Qantas and/or their respective Airline Affiliates (including, for the purposes of this clause 10.2, in the case of Air NZ, Freedom) may operate at any time on any Other Sector.
- (b) If Air NZ or Qantas and/or their respective Airline Affiliates (including, for the purposes of this clause 10.2, in the case of Air NZ, Freedom) (**Commencing Party**) wishes to commence operating on an Other Sector and the other party is already operating on that Other Sector, the Commencing Party must not commence operating on that Other Sector without first discussing its intentions to do so at SAAG. Air NZ will procure that Freedom complies with the provisions of this clause 10.2 as if it were a party to this Agreement.

10.3 Parties' Involvement in Other Airlines

Subject to any existing contractual obligation, neither Air NZ nor Qantas (including in the case of Air NZ, Freedom) shall take, after the Effective Date, any step in relation to any third party airline (other than Freedom, but including any third party airline in which a party has a shareholding but which is not an Airline Affiliate of that party or with which a party has an alliance relationship) which would encourage or knowingly assist that airline to compete against the JAO Networks or operate in a manner contrary to the interests of the Alliance. Air NZ will procure that Freedom complies with the provisions of this clause 10.3 as if it were a party to this Agreement. Nothing in this clause shall operate to constrain Air NZ or Qantas from developing their respective non-JAO operations, provided that such operations do not have a material adverse effect on the JAO Networks.

10.4 Equitable Relief

Air NZ and Qantas acknowledge that if there is an alleged breach of clause 10.1, 10.2 or 10.3, the party alleging the breach may seek equitable relief in addition to damages and the other party may not claim that the breach is not one which should be the subject of equitable relief.

10.5 Employees

(a) Code of Conduct

Air NZ and Qantas agree to procure their respective employees to abide by and observe the Code of Conduct.

(b) Air NZ Employees

Qantas undertakes with Air NZ that it will not, and, so far as it is able, it will procure that no member of the Qantas Group and no directors or officers of it or any member of the Qantas Group will prior to the termination of this Agreement and for a period of 18 months thereafter induce or seek to induce any employee of the Air NZ Group to become employed whether as employee, consultant or otherwise by Qantas or any member of the Qantas Group. Nothing in this clause 10.5(b) shall affect or prevent Qantas or any member of the Qantas Group from employing or negotiating the terms of employment of any employee of the Air NZ Group who either:

- (i) makes an unsolicited approach to Qantas or any member of the Qantas Group or their respective directors and officers; or
- (ii) responds to an advertisement placed by or on behalf of Qantas or any member of the Qantas Group generally soliciting applications for a position or positions.

(c) Qantas Employees

Air NZ undertakes with Qantas that it will not, and, so far as it is able, it will procure that no member of the Air NZ Group and no directors or officers of it or any member of the Air NZ Group will prior to the termination of this Agreement and for a period of 18 months thereafter induce or seek to induce any employee of the Qantas Group to become employed whether as employee, consultant or otherwise by Air NZ or any member of the Air NZ Group. Nothing in this clause 10.5(c) shall affect or prevent Air NZ or any member of the Air NZ Group from employing or negotiating the terms of employment of any employee of the Qantas Group who either:

- (i) makes an unsolicited approach to Air NZ or any member of the Air NZ Group or their respective directors and officers; or
- (ii) responds to an advertisement placed by or on behalf of Air NZ or any member of the Air NZ Group generally soliciting applications for a position or positions.

10.6 Reasonableness of Restrictions

Air NZ and Qantas agree that they consider that the restrictions contained in clauses 10.5(b) and (c) are no greater than is reasonable and necessary for the protection of the respective interests of Air NZ and Qantas but that if any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall

apply with such deletion or modification as may be necessary to make it valid and enforceable.

10.7 Material Adverse Effect

Where any applicable law, regulation, or determination of a relevant regulatory or governmental authority is likely to have a material adverse effect on the financial viability of the Alliance from the perspective of either party, the parties must meet and use their best endeavours to take such actions as may be required to mitigate the effect, provided that for the purposes of this clause 10.7, "best endeavours" shall not require either party to take any action which would have a material adverse effect on that party.