6. Attachments

6.1 Attachment 1: Market Share Performance

TFI has compiled visitor arrival figures for 1997 to 2001 for the following countries: Australia, China, Hong Kong, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand (the aggregate of visitor arrivals to these countries will be referred to as 'the Region').

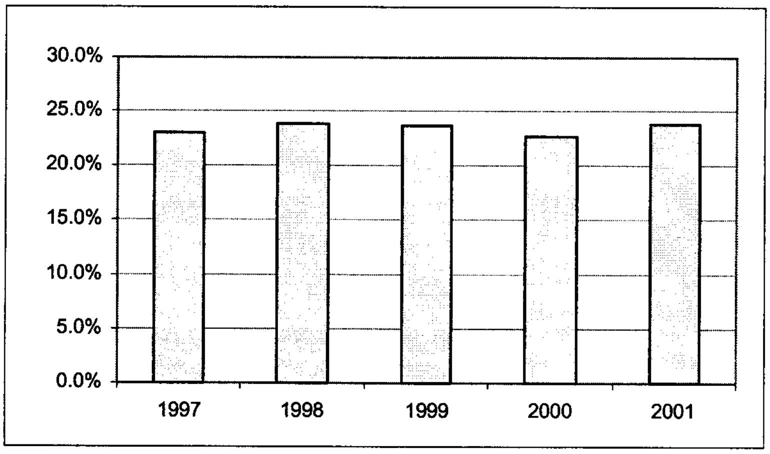
The Australian and New Zealand shares (as destinations) of arrivals to this Region from each of the major source markets to the Region are shown in the following sections.

Australia

In 2001 the Australian market accounted for 33% of all visitors to New Zealand.

Figure A1 shows the New Zealand share of Australian visitors into the Region for 1997 to 2001. As a destination New Zealand attracted nearly one in four Australian visitor arrivals to the Region in 2001.

Figure A1: New Zealand Share of Australian Arrivals to the Region



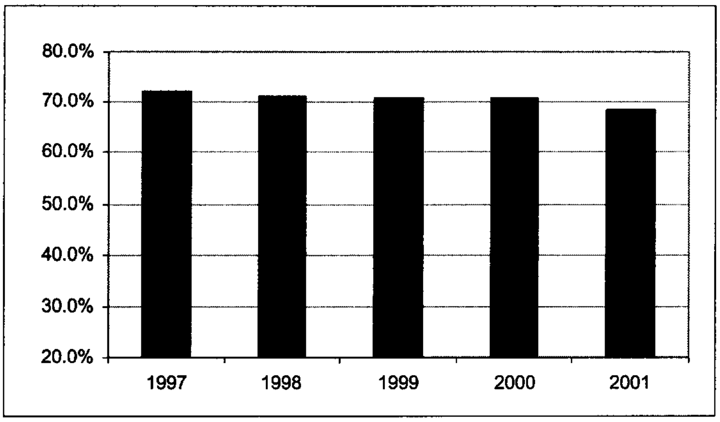
Source: TFI based on selected country government statistical and tourism agencies.

New Zealand

In 2001 the New Zealand market accounted for 17% of all visitors to Australia. It was the largest overseas visitor market for Australia.

Figure A2 shows the Australian share of New Zealand visitors into the Region. As a destination Australia accounted for nearly seven out of every 10 New Zealand visitors recorded as arrivals by countries within the Region.

Figure A2: Australian Share of New Zealand Arrivals to the Region



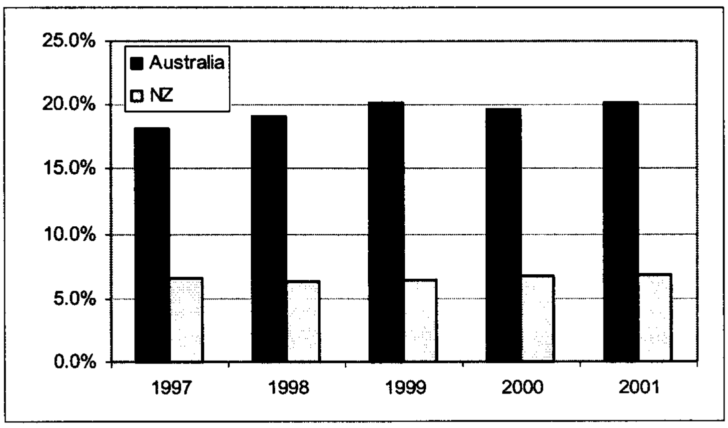
Source: TFI based on selected country government statistical and tourism agencies.

UK

In 2001 the UK represented 13% of visitors to Australia and 11% of visitors to New Zealand. It was Australia's third largest visitor market and New Zealand's second.

As **Figure A3** shows, Australia accounted for 20% of arrivals from the UK into the Region in 2001 (up from 18% in 1997). New Zealand's share is 7% and reasonably stable. This is a relatively large share of the UK visitors to the Region.

Figure A3: Share of Arrivals from the UK into the Region



Source: TFI based on selected country government statistical and tourism agencies.

USA

In 2001 visitors from the USA accounted for 9% of all visitors to Australia and 10% of all visitors to New Zealand. The USA represented Australia's fourth largest visitor market and ranked number three for New Zealand. **Figure A4** shows that Australia has performed well during the 1997 to 2001 period, increasing its share of US arrivals into the Region from 7.4% to 8.2%. New Zealand's share has been maintained at around 3.5%.

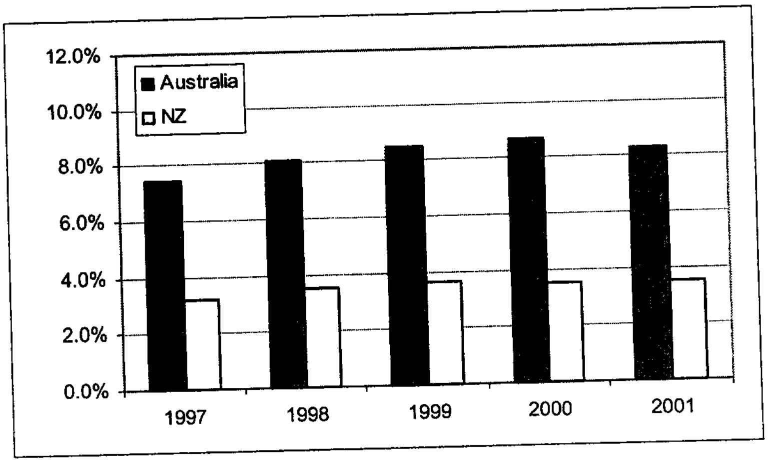
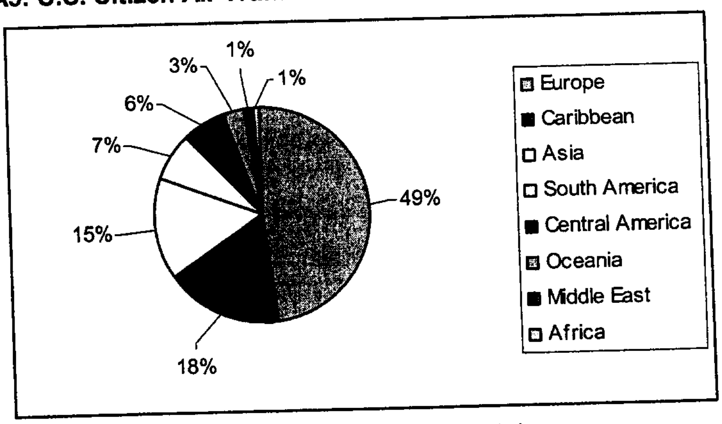


Figure A4: Share of Arrivals from the US into the Region
Source: TFI based on selected country government statistical and tourism agencies.

Figure A5 shows the share of US outbound travel to the Asia and Oceania regions to be around 18%. Thus around one-in-five US travellers visit Asia/Oceania and the Australia/New Zealand share of this is relatively low.

Figure A5: U.S. Citizen Air Traffic to Overseas Regions 2001, Market shares



Source: USA Tourism Industry Association.

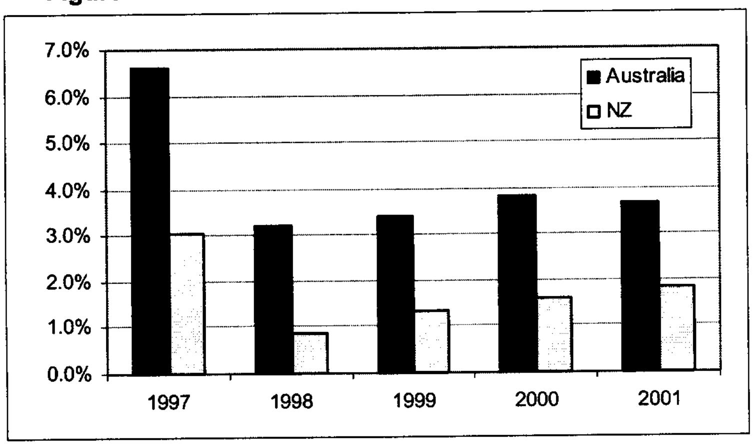
Korea

Korea is a major growth market for both Australian and New Zealand tourism. In 2001 it accounted for 3.6% of visitors to Australia and ranked as Australia's sixth largest source market. It was New Zealand's fifth largest market accounting for 4.6% of visitors.

Figure A6 shows the very large fall in Australia and New Zealand's share of Korean visitor arrivals within the Region following the Asian economic crisis in 1997. Such crises generally encourage a transfer from longer to shorter haul travel destinations and so it was following the 1997 shock.

Australia's share fell from 6.6% in 1997 to 3% the following year and has recovered only part of its lost share to achieve 3.5% in 2001. For New Zealand the share reduction was from 3.1% in 1997 to 0.8% in 1998. By 2001 the New Zealand share had partially recovered to 1.8%.

Figure A6: Share of Arrivals from Korea into the Region



Source: TFI based on selected country government statistical and tourism agencies.

Germany

Outside of the UK the largest European market for travel into Australia and New Zealand is Germany. In 2001 it accounted for 3% and 2.7% of visitors to Australia and New Zealand respectively.

As shown in **Figure A7** Australia and New Zealand attracted 10% and 4% respectively of all German visitors to the Region in 2001. Share has increased marginally for both countries over the period shown.

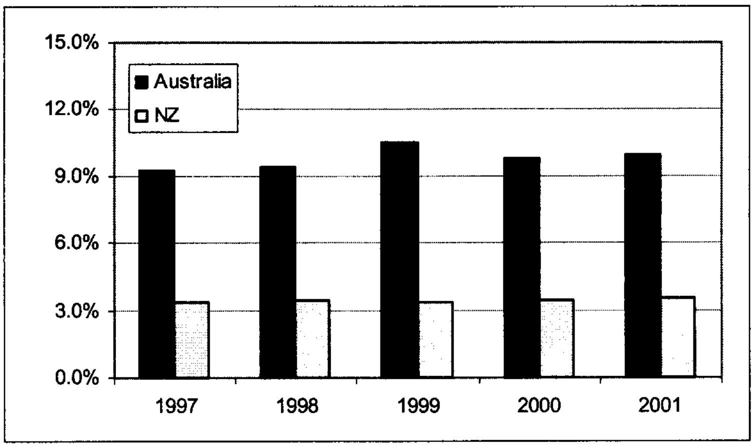


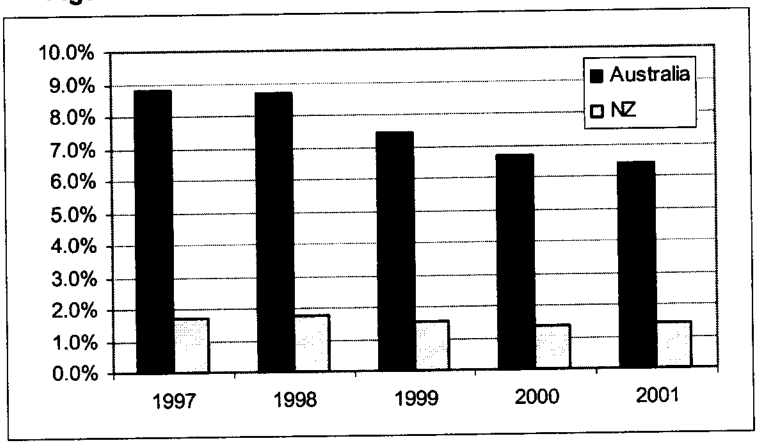
Figure A7: Share of Arrivals from Germany into the Region
Source: TFI based on selected country government statistical and tourism agencies.

Japan

In 2001 Japan accounted for 14% of visitor arrivals to Australia and 8% of arrivals to New Zealand. It was Australia's second largest visitor market and New Zealand's fourth. Over recent years both countries have seen declines in the number of visitors from Japan.

As a share of Regional arrivals, Japanese arrivals to Australia are down from 8.8% in 1997 to 6.1% in 2001 (**Figure A8**). New Zealand's share of Japanese arrivals to the Region has also fallen, from 1.7% to 1.4%, over this period.

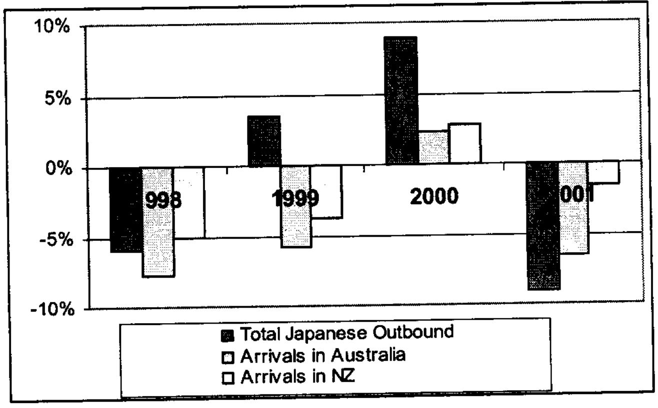
Figure A8: Share of Arrivals from Japan into the Region



Source: TFI based on selected country government statistical and tourism agencies.

Figure A9 shows that the total Japanese outbound market in 2000 grew by 8.9%. While growth of 4.1% was forecast for 2001, the events of September 11 combined with Japanese consumers' unwillingness to spend disposable income during uncertain economic times, resulted in an overall decline of 9.0%. During 1999 and 2000 Japanese arrivals into Australia and New Zealand performed below total Japanese outbound travel. However 2001 saw a reversal of this trend with the decline in arrivals to Australia and New Zealand falling at a lesser rate than total outbound travel.

Figure A9: Percent Change in Total Japanese Outbound Travel compared with Percent Change in Japanese Arrivals to Australia and NZ



Source: JNTO, ABS, NZ Statistics and TFI.

Canada

In 2001 Canada accounted for 1.9% of Australia's visitor market compared to 1.5% in 1996. Canadian visitors to New Zealand accounted for 1.9% of all visitors in 2001 the same level as in 1996.

Both Australia and New Zealand largely maintained their share of Canadian arrivals into the Region as shown in **Figure A10.**

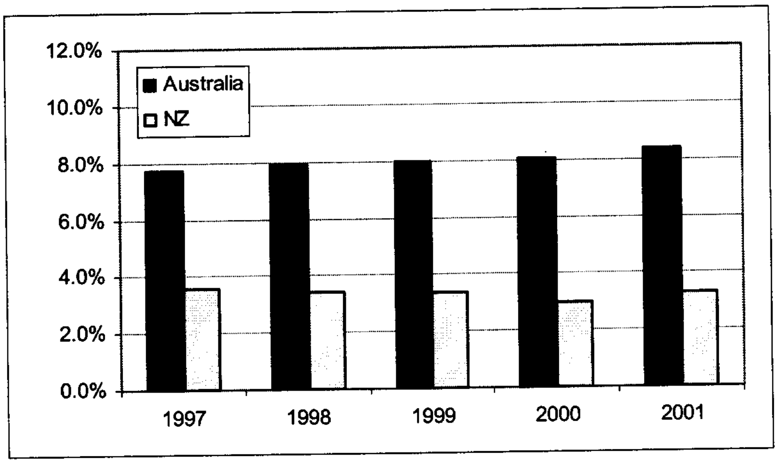


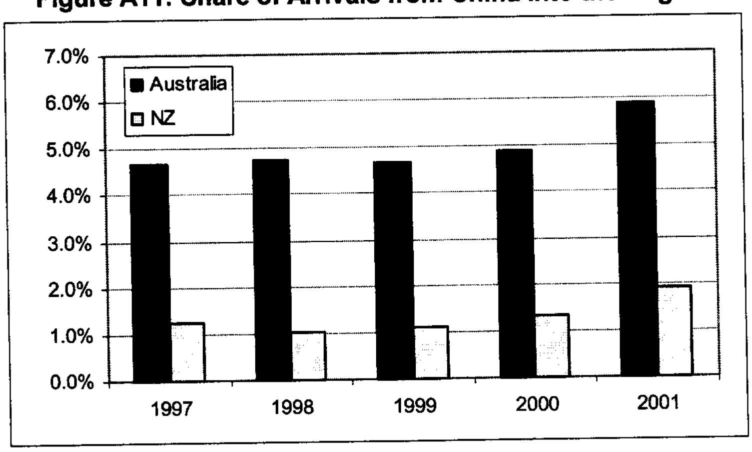
Figure A10: Share of Arrivals from Canada into the Region
Source: TFI based on selected country government statistical and tourism agencies.

China

China (excluding Hong Kong) is another major growth market for tourism to Australia and New Zealand. In 2001 it accounted for 3.3% of Australia's visitor market (ranked 7th largest) compared to 1.3% in 1996. Chinese visitors to New Zealand accounted for 2.8% of all visitors in 2001 up from 0.9% in 1996. China now ranks as New Zealand's 6th largest market.

Both Australia and New Zealand have been increasing their share of Chinese arrivals into the Region as shown in **Figure A11.**

Figure A11: Share of Arrivals from China into the Region

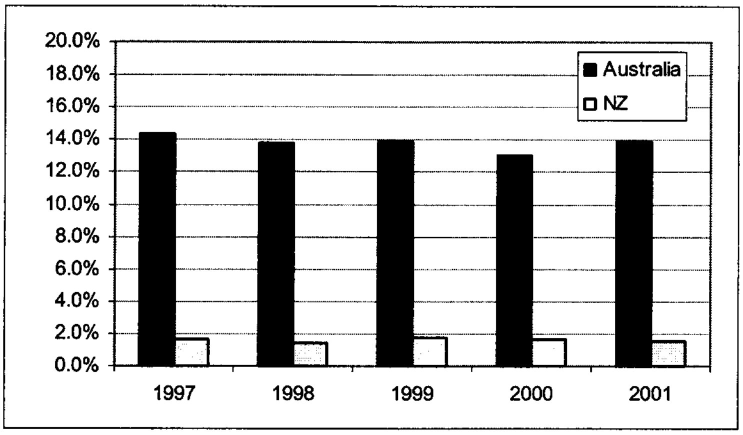


Source: TFI based on selected country government statistical and tourism agencies.

Singapore

Singapore is Australia's largest Asian source market (excluding Japan) accounting for 6.1% of all visitors in 2001. In the same year it was the 10th largest market for New Zealand accounting for 1.7% of all visitors. **Figure A12** shows that Australia accounts for around 13% of all arrivals from Singapore to the Region and New Zealand for around 2%.

Figure A12: Share of Arrivals from Singapore into the Region



Source: TFI based on selected country government statistical and tourism agencies.

6.2 Attachment 2: Barrier Studies

UK Barriers

Recently the ATC along with Australian state tourism bodies commissioned the 'UK Barriers Study' (September 2002) to identify and explain barriers preventing UK potential travellers from visiting Australia. The qualitative research was based on two market segments (Young Affluents and Empty Nesters). The study found the following barriers:

- Not having the right information held people back. There were many more barriers at work than simply 'time' and 'cost'. Australia demanded more consideration in terms of the commitment that people needed to make in both these dimensions. Cost related to cost to travel to Australia as well as cost while in Australia. Australia was perceived to be expensive with little understanding about the cost of living i.e. cost of food, hotels etc.
- Lack of knowledge about options. While Australia delivered against the main requirement for good weather, perceptions of it were one-dimensional. It was seen as a hot place with lots of beaches and a huge desert. Perceptions of climatic diversity, sub-continental characteristics, seasonal variations & opportunities did not feature.
- People couldn't form a detailed picture of what it will be like there. The decision making process was made difficult by the sheer size of Australia and the low level of knowledge that considerers and non-considerers had about it. There was a vague sense of what Australia is – a big, hot empty country with populated edges and a number of famous landmarks/destinations. There were empty spaces in potential travellers' perceptions between the well-known and famous icons – what's in between? The vastness of Australia made it impenetrable for potential travellers, because they couldn't break it down into manageable portions.
- Communicating 'ONE Australia' for people to digest left them exhausted. You had to fit the Opera House, the Rock & the Reef into one trip. This meant more flying and a lot of packing and unpacking to 'see it all'. People didn't want to buy Australia in one, they were eager to know how it could be broken down.
- Australia's perceived sameness reduced its desirability. People had the sense that Australia is the same wherever you go. There was little understanding of the internal differences and diversity within the vastness. Potential travellers were looking for differences in culture, in people, in landscape, in food, in activities, in climatic diversity, seasonal variations. Australia needed to be broken down into diverse sets of experiences for them.
- It was felt that Australia demanded a procedural approach to planning and experiencing a holiday. This was more than for other long haul destinations – people felt that there seemed to be fewer options available. There appeared to be a need to move on from prescriptive itineraries to incorporate flexible options they can take.
- The picture of Australia was static – fixed in place by familiar icons. Considerers and non-considerers of Australia saw other long haul destinations as more readily accessible - with more options. But there was also more urgency to go to these places – there was the perception that there were destinations out there that will soon change forever. By contrast, Australia will always be there - therefore it can wait - there's no sense of dynamic change.

The NZTB has identified the following barriers to travel from the UK to New Zealand:

- Tangible limitations such as the distance and therefore the price, and the perception that New Zealand requires at least a three-week holiday.
- Perceptual barriers that New Zealand is a somewhat backward province of the UK, and so similar that it almost feels like a "home away from home".

Travel to New Zealand is considered for duty (to visit family and friends), for special interest (eg walking, mountaineering) and for "real travel" (at least 3 weeks) but is not considered for relaxing in the sun, family entertainment or as a city break.

The NZTB considers it important to recognise that New Zealand may not be the main destination for a holiday, but one of several destinations within one holiday trip. For example, it may be combined with Australia, or chosen as a destination on a round-the-world ticket. On the backpacker route, New Zealand may be the working part to fund further travel.

NZTB research has also shown that:

- New Zealand is seen as the furthest you can go from the UK. This means there is a real sense of achievement and prestige in visiting New Zealand.
- New Zealand's distance means travellers are pressured to make the most of it when they do go.
- New Zealand is seen as a place where you need to stay for longer than two weeks – as a working holiday for young people, or a destination that requires at least three weeks for most holidaymakers.
- New Zealand is often considered a destination worth visiting in its own right – much more so than in the US and Japan.

German Barriers

In its 'German Barriers Research Study' (September 2002) the ATC found the following key barriers to German travel to Australia:

- Logistical impediments of time and cost.
- No sense of urgency to stimulate travel to Australia now.
- Australia's vast size makes it impenetrable.
- Narrow, stereotypical perceptions of Australia.
- Australia viewed as a place to "see" rather than a place to "experience".
- Insufficient knowledge and appeal of the diversity of experiences.
- Need to provide a constant "drip feed" of information about Australia.
- Strong emotional triggers are required to engage consumers and motivate them.

Based on its market tracking research the NZTB found:

- Beautiful scenery and a general curiosity to see New Zealand, appear to be the main motivators for those most likely to visit New Zealand. Secondary motivations are recommendations from friends and family, and New Zealand's diversity of attractions.

- The main challenges for Tourism New Zealand to overcome among those less likely to visit are a lack of knowledge about New Zealand and barriers related to holidays in general.
- Secondary challenges are:
  - Perceptions of the expense of a New Zealand holiday.
  - Other destinations taking priority over New Zealand.
  - Belief that New Zealand is 'too far away'.

The survey results suggest New Zealand is losing ground as a favoured destination among the German market, and that the interest that remains is becoming increasingly fringe (ie. from the young backpacker market).

Germans are keen long-haul travellers (particularly those who are young and childfree) and tend to seek adventure and culture. They are being increasingly drawn to Central and South America which can offer this type of exciting and unique holiday experience.

New Zealand's best opportunity is considered to be the holiday market. However, to be competitive New Zealand needs to overcome the perceived barrier of being 'too far away'. One way to do this is to co-position New Zealand with Asia and the Pacific, offering a trip with maximum cultural variation and excitement.

Germans do tend to have longer annual holidays (ie. six weeks per year) and are likely to be drawn to a multi-destination trip. The research supports such a strategy, showing Australia and Asia currently enjoy much greater popularity than New Zealand. 'Piggy-backing' on the success of these countries will allow New Zealand to achieve greater penetration of the German market.

6.3 Attachment 3: QH Plan

Background

This Section provides a summary of the sales marketing and promotional activities that will be carried out across the QH group in support of the additional 50,000 passengers to New Zealand.

The marketing plan builds on the existing Global footprint of the QH group and expands the growth footprint for destinations in New Zealand.

An alliance between the two carriers Air New Zealand and Qantas gives QH the ability to market both countries as one region, and provides accessibility over the two air networks to offer itinerary combinations not easily accessible.

This plan provides the platform to raise the significance, emphasis and resourcing on destination New Zealand in its own right to the same level as the current Australian product range within the QH worldwide network.

QH has developed six marketing key themes for supporting growth of the New Zealand Inbound Leisure Market

1. Improved Air Product

Description:

- Greater flight choice of itinerary.
- Faster and more convenient connections.
- More economical routing.
- The Alliance will result in a combined Air New Zealand/Qantas international network with two New Zealand domestic networks.
- It is envisaged to increase direct routings, frequency and capacity to New Zealand for mono-destination purposes.
- It will offer a more efficient and economical product, and allowing access to more destination combinations than were previously feasible, especially in light of withdrawal of carriers like United.

Consumer Benefits:

- Time savings through direct routings for combined Australian/New Zealand itineraries.
- Direct routes for New Zealand mono destination itineraries.
- Greater choice of routings and stopover options.
- Increased air capacity on international routes.
- Elimination of backtracking on most combined itineraries.
- Greater choice over two New Zealand domestic networks.
- New multi-destinational itineraries (eg. New Zealand, Australia and Fiji combined).

2. Expanded Land Product

Description:

- Expand the New Zealand product range to support a specialist New Zealand reservations unit.
- Increase FIT, pre-booked and 'go-as-you-please' range.
- Introduce new product for specific target markets.
- Develop land product to support multi-destinational itineraries.
- Source best rates from suppliers with allocations.

Consumer Benefit:

- Greater choice of New Zealand product.
- Confidence in QH as New Zealand specialist.
- Product range will meet all customer needs and interests.
- One stop shop for New Zealand holiday purchase.
- Competitive selling prices.
- Instant confirmations from allocations.
- Packages for growing FIT segment.

3. Increased Promotion

Description:

- Dedicated New Zealand marketing and sales plan for each region with structured objectives and outcomes.
- Increase the level of promotion to the overall market.
- New promotional themes / activities to targeted market segments.
- Increase New Zealand "voice" and competitiveness in key source countries.
- Improved promotion effectiveness and levels through leveraging QH's existing promotional spend and purchasing power.

Consumer Benefits:

- Provide more information on destination New Zealand e.g. what to book and how to book.
- Consumers are more educated on New Zealand product offerings.
- Supportive information reduces the effort needed to plan holidays.
- Information sources are readily available and accessible in retail travel agents, on the internet and via multi media channels.
- Consumer is stimulated through highlighting New Zealand when they are not certain of the holiday they want until they see or hear about it.
- New themes, target packages, new multi-destinational itineraries.

4. Expanded Distribution

Description:

- Use QH global network of subsidiaries, affiliate companies, GSA offices and travel agencies to promote and sell New Zealand product.

- Create a host-to-host connectivity between QH's booking systems and key wholesaler/retail distribution platforms to allow seamless and direct sales of QH's contracted New Zealand product (Land and Air).
- Increase the voice/awareness of New Zealand product in distribution points.
- QH B2C sites in source countries to carry New Zealand product.

Consumer Benefits:

- Greater awareness of New Zealand as a holiday destination and therefore provide greater choice.
- Easier and improved access to New Zealand product through expanded distribution network and online channels.
- Host-to-host connections allow mainstream, large distributors in source countries to promote and sell New Zealand product rather than just the smaller specialised, niche wholesalers who typically focus on New Zealand.

5. Specialised Customer Service

Description:

- Specialised destination and itinerary training for reservations units, and where appropriate set-up special, dedicated team.
- Alliance with a New Zealand inbound tour operator to provide local customer service with necessary language skills to service various inbound travellers and groups.
- Dedicated marketing and sales staff that source and package New Zealand product and can educate trade on New Zealand selling features and benefits.

Consumer Benefits:

- Improved customer support around selecting and creating holiday itineraries for New Zealand.
- Local, dedicated "meet" & greet" service in New Zealand.
- Central customer support for dual (Australia and New Zealand) itineraries.

6. Focus on New Market Segments

Description:

- Develop specific programs to fit target segments within each region, providing consumers with a more tailor made product offering.
- Use QH's dynamic packaging capabilities to tailor products to growing FIT segment.

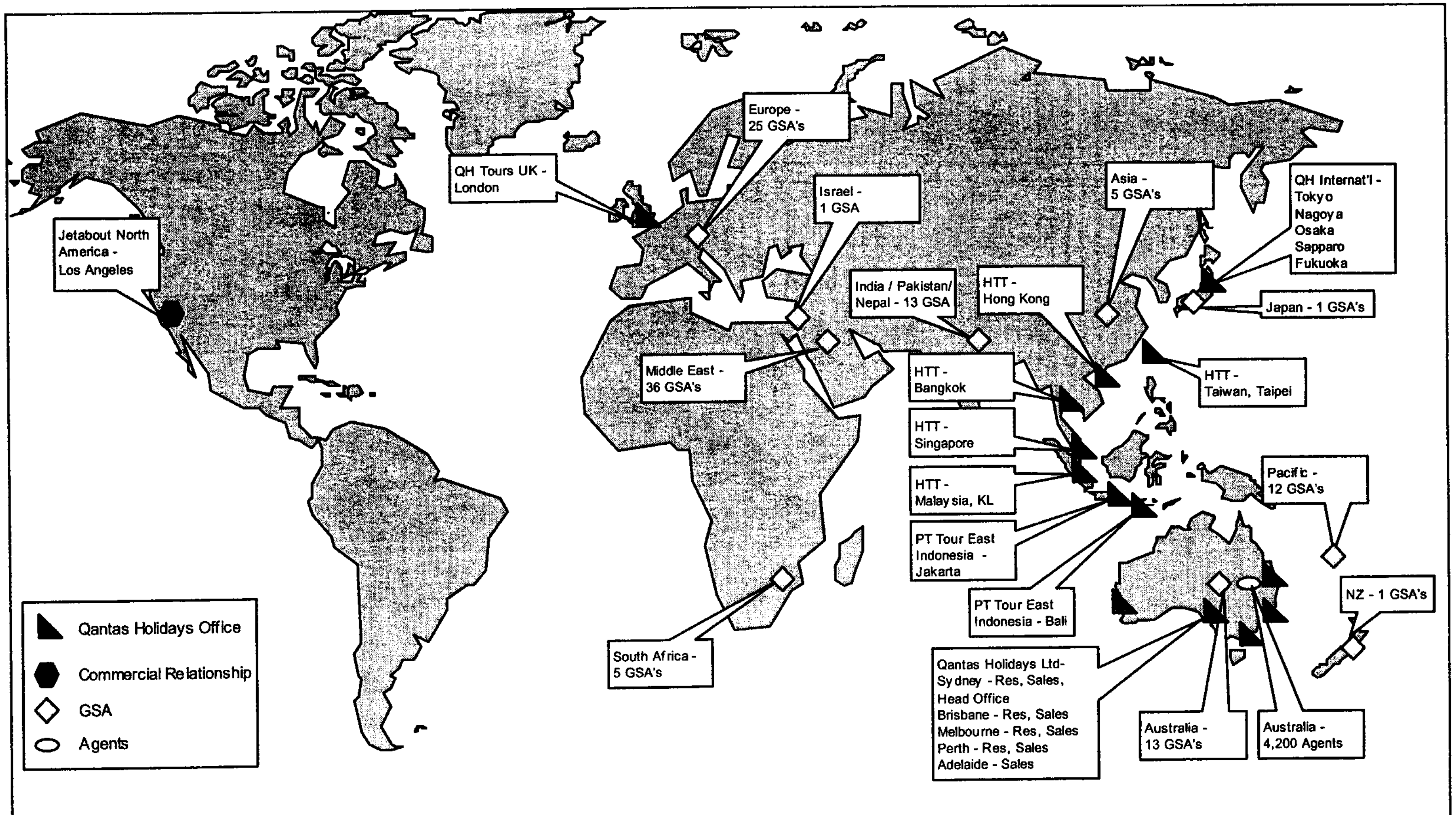
Customer Benefits:

- More comprehensively matches New Zealand product offering to the specific consumer demands.
- Breaks destination into more targeted segments reducing the effort needed to plan and organise.
- Makes consumers aware of experiences available in New Zealand.
- Packages for growing FIT segment.

6.4 Attachment 4: QH Global Structure and Footprint

[confidential table]

QH Global Footprint



Source: Qantas Holidays reports