

Annexure 1 – List of questions for Applicants

CURRENT OPERATIONS

Other trans-Tasman routes

1. In Table 1 of the submission, the Applicants provide a table of capacity shares (by airline) on the 'nine main Tasman routes' which are stated to account for approximately 85 per cent of all Tasman non-stop capacity. Can the Applicants provide capacity shares, at an equivalent date, for all other trans-Tasman routes?

Capacity

2. The Applicants estimate that there are 5,200 empty seats per day on the main Tasman routes, and 6,300 overall. What is the basis for this estimate? Can the Applicants provide a breakdown of which routes this surplus capacity is occurring on? How many of these estimated empty seats are offered by (i) Qantas and (ii) Air NZ?

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5. The ACCC notes that there are discrepancies between the Applicants current capacity as appearing in Annexure D and in Annexure I. Can the Applicants indicate which of the two annexures is correct?

Type of passengers

6. Australian Passenger Card data from the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) indicate that in 2005 Qantas carried 29.9% of New Zealand origin/destination passengers travelling for the purposes of business (including to attend conventions) and Air NZ 20.8%. How would these proportions compare on a route-by-route basis?

Profitability

7. What were the EBIT outcomes for Qantas and Air NZ (including Freedom Air) for each of the trans-Tasman routes and trans-Tasman overall for each of the financial years 2002/3 to 2004/5?
8. Are Qantas/Air NZ required to pay lay-over costs in NZ/Australia? If yes, are these costs the same as for non-domestic airlines (i.e. such as 5th Freedom carriers)?

Revenue

9. What was Qantas' and Air NZ's turnover from their trans-Tasman operations in the last financial year?
10. What were Qantas' and Air NZ's revenue per seat sold, in each cabin class and overall, per month on each of the nine main trans-Tasman routes between January 2000 and February 2006 (or the most recent month for which data is available)?

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Fleet

12. What is the current status of Qantas' fleet renewal program? Could the Applicants please provide details of new aircraft added to the trans-Tasman route in the past 12 months and new aircraft proposed to be added to these routes in the foreseeable future, including aircraft type?
13. In his statement to the Tribunal in March 2004, Mr Thompson, Air NZ Group General Manager, Marketing Network & Sales, referred to Air NZ's decision to use A320s to fly its trans-Tasman routes and provided a schedule for the proposed roll-out of the A320 fleet. Air NZ expected that the replacement of the majority of its wide bodied aircraft fleet would be completed by February 2006. What were the reasons for Air NZ's decision to replace wide bodied aircraft with narrow bodied aircraft on the trans-Tasman? Has Air NZ's fleet replacement occurred as planned? If no, please indicate why. What is Air NZ's current strategy regarding its trans-Tasman fleet?
14. According to Qantas' 2004-2005 annual report, Jetstar lowered its cost base in the 2nd half of year to 7.62 cents per ASK. Can the Applicants explain the factors which have led to Jetstar now having a cost base of [] cents per ASK as per page 76 of the proposed TNA agreement?
15. Qantas' 2004-2005 annual report stated that Jetstar's entrance to the trans-Tasman route would boost Qantas' capacity to 1500 seats per week. How has the introduction of Jetstar on trans-Tasman routes impacted on Qantas' profitability? What has been the basis of selecting the routes to be operated by Jetstar?
16. Are Qantas and/or Air NZ currently using aircraft on trans-Tasman routes which continue onto/ come from long-haul routes? In particular, what routes are the following aircraft also operated on by Air NZ:

- Brisbane – Auckland (daily B747)
- Sydney – Auckland (5 x B777)
- Melbourne – Auckland (daily B747)

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Connections

17. What is the proportion of Qantas and Air NZ trans-Tasman passengers connecting to, or transferring to, (i) international flights and (ii) domestic flights?
18. To what extent do Jetstar trans-Tasman flights connect/interline with other Qantas flights? To what extent do Freedom trans-Tasman flights connect/interline with Air NZ flights?

THE APPLICATIONS

The counterfactual

19. Can the Applicants provide further information/explanation as to their proposed counterfactual, in particular outlining their respective strategies?
20. In the counterfactual, what are Qantas and Air NZ's likely strategies for the deployment of their low-cost carrier (LCC) subsidiaries on trans-Tasman routes?

Code-share

21. At paragraph 2.12 of their submission, the Applicants state that flights 'operated by Jetstar or Freedom Air will not automatically form part of the code-share arrangements, but may be introduced at a later date'. Schedule 9 outlines the terms and conditions upon which Jetstar and Freedom may be included in the code-share. Can the Applicants indicate whether they are likely to have any short to medium term plans to include Jetstar and/or Freedom in the code-share arrangements as per Schedule 9 of the TNA agreement? Further, will Qantas code-share on Jetstar and Air NZ on Freedom Air?
22. Can the Applicants confirm (as per Schedule 9 of the TNA agreement) that *all* flights operated by Qantas and Air NZ on the trans-Tasman are required to be part of the code-share arrangements?
23. What existing code-share arrangements does each of the Applicants have with third party airlines on trans-Tasman routes? Are the arrangements block sale code-share arrangements or free sale code-share arrangements? How will the TNA affect each Applicant's code-sharing arrangements with third party airlines?

Proposed schedule spread

24. Annexure I to the supporting submission contains a proposed schedule spread under the TNA versus the current schedule, while Schedule 11 to the proposed TNA agreement includes a 'Draft Initial Tasman Networks Plan'. However, there appears to be two discrepancies between these. Specifically:
 - for the AKL-BNE route Schedule 11 shows two NZ145 flights which do not appear in Annex 1. In addition, Annexure 1 shows 6DF flights at 14.30 which do not appear in Schedule 11;

- For the AKL-MEL route, Schedule 11 shows NZ900 using a B772 while Annexure 1 shows a B763.

Can the Applicants indicate which proposed schedule the ACCC should refer to? If it is Annexure I, could the Applicants provide the proposed TNA schedule for all trans-Tasman routes?

25. Since the applications were lodged, has the proposed TNA schedule undergone any revisions? If so, could the Applicants provide the ACCC with a copy of the latest proposed schedule, for all trans-Tasman routes?
26. Can the Applicants indicate whether a reduction in capacity on certain routes as a result of the proposed TNA agreement will result in a reduction in staff? If so what is the magnitude of the expected reduction, and where is it likely to occur?
27. Based on information contained in Schedule 11 to the TNA agreement, it would appear that the Applicants would substantially increase capacity on a number of routes (Brisbane/Adelaide/Cairns to Auckland, Brisbane/Melbourne to Christchurch). How do the Applicants reconcile these capacity increases with the claimed benefits associated with the removal of excess capacity?
28. At 11.26 of the Applicants' submission it states one of the benefits of the TNA would be more direct route options. Except for the Perth and Cairns to Auckland routes currently operated by Air NZ, have the Applicants considered other direct route options? If yes, can the Applicants please advise the routes considered and advise whether they are likely to be seasonal routes?
29. In relation to the increased likelihood of new services, the Applicants state, at paragraph 11.27 and 11.28 that they are not currently forecasting any new direct services but there is an increased likelihood that this will occur under the TNA. What would be the likely new services under the TNA?
30. In the event that the TNA results in the reduction of capacity, would the associated landing 'slots', in particular at (i) Sydney and (ii) Auckland airports, be retained by the Applicants, or placed in the coordination pool for another airline to use?

TNA Payment model

31. Can the Applicants confirm (as appears to be confirmed by clause 8.1 of the TNA) that *all* revenue earned by the Qantas and Air NZ groups on the trans-Tasman sector (including that from Jetstar and Freedom flights) will be included in the TNA revenue pool (i.e. regardless of whether it was sold as part of the code-share, or by the marketing/operating carrier)?

32. Can the Applicants further explain why, absent the tariff setting provisions in the TNA, each airline would have the ability and incentive to act to further its own interests at the expense of the TNA (refer to paragraphs 2.17 and 2.18 of the supporting submission).

33. Can the Applicants provide further explanation about the one-off alignment of the basis for paying incentive commissions to travel agents?

Cost savings

34. Can the Applicants provide further explanation/detail on the basis for the cost savings identified in Annexure G which are predicted to accrue to Qantas and Air NZ?

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36. Are the cost savings referred to in Annexure G estimated by reference to a situation in which the Applicants each continue to operate their current level of services on trans-Tasman routes if the TNA is not concluded? If not, what is the assumption underpinning the estimated cost savings presented in Annexure G?
37. Could the Applicants provide a more detailed explanation of the statement in para 11.12 of their submission that "Under the TNA, the Applicants can achieve equivalent or better aircraft utilisation via other means, reducing the level of wingtip flying".
38. What were Qantas' and Air NZ's total costs associated with their trans-Tasman operations for 2002-03, 2003-04 and 2004-05?

Benefits

39. The Applicants claim that the TNA is necessary to achieve all the benefits identified by the Applicants. Could the Applicants provide more detail as to why the TNA is necessary to achieve these benefits?