

CONSOLIDATED RESPONSE TO 13 MAY 2013 INFORMATION REQUEST

- Q1 For each of the past two calendar years, please specify on an annual basis:**
- a. The number of passengers who utilised an Air New Zealand connection in addition to a trans-Tasman flight, on the same ticket.
  - b. The number of passengers who utilised a Virgin Australia connection in addition to a trans-Tasman flight, on the same ticket.
  - c. The number of passengers who utilised both an Air New Zealand and a Virgin Australia connection in addition to a trans-Tasman flight, on the same ticket.

[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO APPLICANTS]

- Q2 For each of the past two calendar years please specify how many passengers changed their itineraries to a different flight once booked, on an annual basis, where:**
- a. a Virgin Australia operated flight was changed to a Virgin Australia operated flight;
  - b. an Air New Zealand operated flight was changed to an Air New Zealand operated flight;
  - c. a Virgin Australia operated flight was changed to an Air New Zealand operated flight; and
  - d. an Air New Zealand operated flighted was changed to a Virgin Australia operated flight;

As previously communicated to the ACCC, the Applicants do not retain statistics that directly answer the question expressed above. To be able to answer the question as expressed above, the Applicants would need to extract the final passenger record (the PNR) for each passenger and manually determine whether or not there was a flight change to a different Applicant’s operated aircraft. To analyse this information would be extremely time consuming and it is not clear whether the data would be sufficiently reliable.

The Applicants understand that the ACCC is attempting to demonstrate the value passengers ascribe to the flexibility arising from the ability to choose flights operated by either carrier. The Applicants have therefore provided the information below to indicate the value customers ascribe to the flexibility arising from the combined operations of the two Applicants.

Since the commencement of Alliance sales, the Applicants have recorded a total of [CONFIDENTIAL] codeshare passengers (being passengers who have booked a flight with one carrier, while the other carrier operated the flight). Additional to the benefit of consumers having increased routing and schedule options available to choose from under the joint alliance network, the number of Virgin Australia and Air New Zealand codeshare passengers on Virgin Australia and Air New Zealand operated flights provides an indication of the utilisation of this benefit during the short operation of the Alliance. A breakdown of Alliance trans-Tasman codeshare passengers is provided in Table 1 below.

**Table 1: Codeshare services offered on trans-Tasman sectors**

	Pre-Alliance Year	Year 0	Year 1
NZ Marketed, VA Operated	0	[CONFIDENTIAL]	[CONFIDENTIAL]
VA Marketed, NZ Operated	0	[CONFIDENTIAL]	[CONFIDENTIAL]

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	Pre-Alliance Year	Year 0	Year 1
Total Codeshare Passengers	0	[CONFIDENTIAL]	[CONFIDENTIAL]

In Year 1, as a result of the Alliance, Air New Zealand had access to 6,950 Virgin Australia trans-Tasman flights and Virgin Australia had access to 14,496 Air New Zealand trans-Tasman flights that they could use for re-accommodating disrupted passengers. In addition to these Tasman services, Air New Zealand and Virgin Australia have had access to each other's domestic networks. Air New Zealand operates approximately 484 one-way flights per day in domestic New Zealand and Virgin Australia operates approximately 399 flights per day in domestic Australia.

Since July 2011, Air New Zealand has operated 13 additional special flights on the Tasman, arranged at the "last minute", to carry disrupted Virgin Australia passengers. As a result of these additional services passengers were able to reach their final destination sooner than they would have otherwise, with the majority of passengers reaching their final destination on the same day as their original itinerary. These special flights provided Virgin Australia with a more cost-effective recovery option than any alternative arrangement (including by avoiding the need for overnight accommodation, which is both costly to the airline and inconvenient for the passenger).

Virgin Australia operated one flight for Air New Zealand in February 2013 from Gold Coast to Sydney which was required because the Air New Zealand Auckland to Sydney flight was diverted to the Gold Coast as a result of poor weather in Sydney. The special flight resulted in all customers being transported to Sydney, and Air New Zealand being able to get the large majority of passengers to their desired destination on the same day. Prior to the alliance, Air New Zealand would have been reliant on Qantas' available capacity. This would have resulted in customers being "drip-fed" across numerous flights throughout the day, and may have resulted in the requirement for overnight accommodation. The additional flight operated by Virgin Australia was a significantly more cost effective option for Air New Zealand than using whatever capacity Qantas had available and also resulted in a more convenient re-accommodation of passengers.

In approximately [CONFIDENTIAL]% of circumstances where an operational disruption occurs, Air New Zealand or Virgin Australia use each other's respective domestic networks to re-accommodate passengers where there is availability. This option is used when there is no direct service available on either carrier. With Virgin Australia's migration to Sabre Sonic, their ability to take advantage of this disrupt flexibility is further enhanced. As a result, the Applicants expect to see an increase in the number of passengers handled via the other's domestic network and a reduction in the workload required to re-accommodate passengers now that migration to the Sabre Sonic platform has occurred.

Air New Zealand and Virgin Australia have been working together to ensure Alliance customers encounter a seamless experience during disruptions. In order to achieve this, the [CONFIDENTIAL].

Due to Virgin Australia's move to Sabre Sonic some of the disruption handling processes put in place at the commencement of the Alliance have had to be reworked. However, the recent migration has delivered significant new functionality, which will allow re-accommodation to be achieved in a more efficient manner in the future. As these processes continue to be refined, further improvements in the ability of the Alliance airlines to manage disruptions and thereby improve passenger experience and deliver additional benefits in terms of passenger convenience are expected. There is still more to be done and if the Alliance is reauthorised the Applicants will continue to work together to achieve even faster response times for customers in situations of operational disruption.

Customers are also able to enjoy the ability to transfer onto a different Alliance flight when services are delayed (as opposed to cancelled). For example, once it is known that a delay is likely on Virgin Australia's Auckland to Sydney flight at 8am (VA51 STD 0800), Virgin Australia customers can be contacted and re-booked onto Air New Zealand's flight at 7am (NZ101 AKL/SYD (STD 0700), thus

having minimal impact on the customers' travel plans. Without the Alliance, passengers would need to wait until the departure of the delayed service. That could mean missed connections and potentially failure to arrive at the destination in time for important meetings or events.

A further benefit of the additional frequencies and better spread of flight times offered by the Alliance is the increased number of connecting opportunities this provides to/from domestic Australia and domestic New Zealand. This, together with the decrease in cost of connection and the fact that booking is now easier, has led to an increased number of passengers purchasing connecting journeys with the Applicants. [CONFIDENTIAL]. As Virgin Australia only expanded code to all New Zealand domestic services in October 2012, the Applicants expect that, if the Alliance is reauthorised, the number of domestic New Zealand sectors sold by Virgin Australia will grow even further.

**Q3 Please provide the net number of additional frequencies added under the Alliance since January 2010. Please provide any facts or evidence, and supporting internal documents, which demonstrate that the additional frequencies are a result of the Alliance.**

FREQUENCY (OW flights)									
SECTOR	Pre Alliance Year			Year 0			Year 1		
	NZ	VA	ALL	NZ	VA	ALL	NZ	VA	ALL
ADL-AKL	478	-	478	500	-	500	554	-	554
AKL-BNE	1,697	726	2,423	1,695	733	2,428	1,463	1,090	2,553
AKL-CNS	341	130	471	365	131	496	480	-	480
AKL-MCY	-	-	-	-	-	-	48	-	48
AKL-MEL	1,639	726	2,365	1,668	708	2,376	1,703	724	2,427
AKL-OOL	494	688	1,182	500	678	1,178	486	684	1,170
AKL-PER	603	-	603	676	-	676	753	-	753
AKL-SYD	3,357	791	4,148	3,327	715	4,042	3,468	538	4,006
BNE-CHC	778	942	1,720	755	868	1,623	833	727	1,560
BNE-DUD	89	328	417	75	377	452	-	433	433
BNE-HLZ	-	336	336	-	361	361	-	344	344
BNE-WLG	691	729	1,420	707	733	1,440	2	1,454	1,456
BNE-ZQN	114	43	157	137	59	196	55	135	190
CHC-MEL	851	590	1,441	818	517	1,335	740	381	1,121
CHC-OOL	156	-	156	141	-	141	160	-	160
CHC-SYD	1,176	476	1,652	1,042	398	1,440	1,004	193	1,197
DUD-MEL	14	-	14	31	-	31	-	34	34
DUD-SYD	34	-	34	43	-	43	-	37	37
MEL-WLG	625	-	625	671	-	671	747	-	747
MEL-ZQN	106	-	106	134	-	134	158	-	158
ROT-SYD	180	-	180	186	-	186	181	-	181
HLZ-SYD	-	196	196	-	-	-	-	-	-
SYD-WLG	888	324	1,212	953	406	1,359	1,342	-	1,342
SYD-ZQN	228	203	431	265	194	459	319	176	495
<b>TOTAL</b>	<b>14,539</b>	<b>7,228</b>	<b>21,767</b>	<b>14,689</b>	<b>6,878</b>	<b>21,567</b>	<b>14,496</b>	<b>6,950</b>	<b>21,446</b>
CHC routes	2,961	2,008	4,969	2,756	1,783	4,539	2,737	1,301	4,038
Non-CHC routes	11,578	5,220	16,798	11,933	5,095	17,028	11,759	5,649	17,408
ZQN routes	448	246	694	536	253	789	532	311	843
WLG routes	2,204	1,053	3,257	2,331	1,139	3,470	2,091	1,454	3,545

**Notes:**

1. Pre Alliance Year, Year 0 and Year 1 - Actual data

2. NZ data: Pre Alliance Year + NW10 (Nov-10 to Mar-11) is Airline Prof data, NS11 (Apr-11 to Oct-11) + Year 1 is Alliance Master SS data

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FREQUENCY (OW flights) MOVEMENT - %						
	Year 0 % variance to Pre Alliance Year			Year 1 % variance to Pre Alliance Year		
	NZ	VA	ALL	NZ	VA	ALL
	4.6%		4.6%	15.9%		15.9%
	-0.1%	1.0%	0.2%	-13.8%	50.1%	5.4%
	7.0%	0.8%	5.3%	40.8%	-100.0%	1.9%
	1.8%	-2.5%	0.5%	3.9%	-0.3%	2.6%
	1.2%	-1.5%	-0.3%	-1.6%	-0.6%	-1.0%
	12.1%		12.1%	24.9%		24.9%
	-0.9%	-9.6%	-2.6%	3.3%	-32.0%	-3.4%
	-3.0%	-7.9%	-5.6%	7.1%	-22.8%	-9.3%
	-15.7%	14.9%	8.4%	-100.0%	32.0%	3.8%
		7.4%	7.4%		2.4%	2.4%
	2.3%	0.5%	1.4%	-99.7%	99.5%	2.5%
	20.2%	37.2%	24.8%	-51.8%	214.0%	21.0%
	-3.9%	-12.4%	-7.4%	-13.0%	-35.4%	-22.2%
	-9.6%		-9.6%	2.6%		2.6%
	-11.4%	-16.4%	-12.8%	-14.6%	-59.5%	-27.5%
	121.4%		121.4%	-100.0%		142.9%
	26.5%		26.5%	-100.0%		8.8%
	7.4%		7.4%	19.5%		19.5%
	26.4%		26.4%	49.1%		49.1%
	3.3%		3.3%	0.6%		0.6%
		-100.0%	-100.0%		-100.0%	-100.0%
	7.3%	25.3%	12.1%	51.1%	-100.0%	10.7%
	16.2%	-4.4%	6.5%	39.9%	-13.3%	14.8%
<b>TOTAL</b>	<b>1.0%</b>	<b>-4.8%</b>	<b>-0.9%</b>	<b>-0.3%</b>	<b>-3.8%</b>	<b>-1.5%</b>
CHC routes	-6.9%	-11.2%	-8.7%	-7.6%	-35.2%	-18.7%
Non-CHC routes	3.1%	-2.4%	1.4%	1.6%	8.2%	3.6%
ZQN routes	19.6%	2.8%	13.7%	18.8%	26.4%	21.5%
WLG routes	5.8%	8.2%	6.5%	-5.1%	38.1%	8.8%

FREQUENCY (OW flights) MOVEMENT - ABSOLUTE FLIGHTS						
	Year 0 variance to Pre Alliance Year			Year 1 variance to Pre Alliance Year		
	NZ	VA	ALL	NZ	VA	ALL
	22		22	76		76
	-2	7	5	-234	364	130
	24	1	25	139	-130	9
				48		48
	29	-18	11	64	-2	62
	6	-10	-4	-8	-4	-12
	73		73	150		150
	-30	-76	-106	111	-253	-142
	-23	-74	-97	55	-215	-160
	-14	49	35	-89	105	16
		25	25		8	8
	16	4	20	-689	725	36
	23	16	39	-59	92	33
	-33	-73	-106	-111	-209	-320
	-15		-15	4		4
	-134	-78	-212	-172	-283	-455
	17		17	-14	34	20
	9		9	-34	37	3
	46		46	122		122
	28		28	52		52
	6		6	1		1
		-196	-196		-196	-196
	65	82	147	454	-324	130
	37	-9	28	91	-27	64
<b>TOTAL</b>	<b>150</b>	<b>-350</b>	<b>-200</b>	<b>-43</b>	<b>-278</b>	<b>-321</b>
CHC routes	-205	-225	-430	-224	-707	-931
Non-CHC routes	355	-125	230	181	429	610
ZQN routes	88	7	95	84	65	149
WLG routes	127	86	213	-113	401	288

Confidential internal documents were also provided to the ACCC in response to this question.

**Q4 For each of Virgin Australia, and Air New Zealand, please provide the net number of trans-Tasman frequencies offered on an annual basis for the past ten years.**

### VIRGIN AUSTRALIA

Notes	Virgin Australia commenced Trans Tasman operations in February 2004. FY 2003 to FY2006 was not available in VA's internal reporting system and was sourced from Diio Mi.									
	1	2	3	4	5	6	7	8	9	10
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
AKLBNE	0	0	57	433	788	650	1112	794	707	917
BNEDUD	0	0	0	0	0	0	0	258	365	355
BNEWLG	0	0	152	313	392	328	675	730	707	1206
MELWLG	0	0	0	0	0	0	0	0	0	0
SYDWLG	0	226	522	0	0	0	0	275	361	171
SYDZQN	0	0	0	0	0	0	0	171	190	167
ADLAKL	0	0	0	0	0	0	0	0	0	0
AKLCNS	0	0	0	0	0	0	0	60	95	36
AKLMCY	0	0	0	0	0	0	0	0	0	0
AKLMEL	0	0	0	0	0	0	695	770	705	723
AKLOOL	0	0	28	208	270	234	426	608	650	694
AKLPER	0	0	0	0	0	0	0	0	0	0
AKLSYD	0	0	0	0	0	0	653	798	764	618
BNECHC	0	300	730	746	1174	1014	1083	930	841	725
BNEHLZ	0	0	0	0	0	0	0	260	349	360
BNEZQN	0	0	0	0	0	0	0	4	0	101
CHCMEL	0	207	507	408	386	312	462	612	651	403
CHCOOL	0	0	138	70	0	0	0	0	0	0
CHCSYD	0	226	702	534	652	533	624	506	449	264
DUDMEL	0	0	0	0	0	0	0	0	0	34
DUDSYD	0	0	0	0	0	0	0	0	0	37
HLZSYD	0	0	0	0	0	0	0	0	102	0
MELZQN	0	0	0	0	0	0	0	0	0	0
ROTSYD	0	0	0	0	0	0	0	0	0	0
OOLZQN	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>959</b>	<b>2836</b>	<b>2712</b>	<b>3662</b>	<b>3071</b>	<b>5730</b>	<b>6776</b>	<b>6936</b>	<b>6811</b>

### AIR NEW ZEALAND

Freedom Air was introduced by Air New Zealand in 1995 and was operated as a separately managed and priced LCC. In late 2007, Air New Zealand replaced Freedom Air services with Air New Zealand branded services. The change was driven by the similarity between fares offered by Air New Zealand and Freedom Air.

Air New Zealand notes that net frequency numbers looked at in isolation do not tell the full story. For example, to increase frequencies, there needs to be the demand to support the operation of the additional service. Air New Zealand's Tasman offering principally utilises the narrow body A320, although it also utilises some wide body B767, B747 and B777 aircraft. It may be that capacity on a route is increased without an additional service or a change in frequency by replacing a service with a larger aircraft. It also might be the case that there are empty seats on the planes that are operating on a particular sector so it makes sense to fill those first before adding another plane. Customer convenience can also be increased through better scheduling times and the removal of wingtip flying without the number of frequencies on a sector being increased.

One Way Tasman Frequencies					Tasman Passengers									
FY	Air NZ	Freedom	Total	v PY	FY	Air NZ	Freedom	Total	v PY					
2003	10,970		10,970		<b>[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO AIR NEW ZEALAND]</b>									
2004	11,699		11,699	6.6%										
2005	13,063		13,063	11.7%										
2006	13,912	3,943	17,855	36.7%										
2007	13,883	3,456	17,339	-2.9%										
2008	14,774	2,149	16,923	-2.4%										
2009	16,168		16,168	-4.5%										
2010	14,579		14,579	-9.8%										
2011	14,689		14,689	0.8%										
2012	14,441		14,441	-1.7%										
Tasman Marketing Seats										Tasman Load Factor				
FY	Air NZ	Freedom	Total	v PY						FY	Air NZ	Freedom	Total	v PY
2003	1,850,064		1,850,064							<b>[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO AIR NEW ZEALAND]</b>				
2004	2,032,092		2,032,092	9.8%										
2005	2,382,793		2,382,793	17.3%										
2006	2,657,687	582,838	3,240,525	36.0%										
2007	2,649,893	516,382	3,166,275	-2.3%										
2008	2,783,773	321,234	3,105,007	-1.9%										
2009	2,951,679		2,951,679	-4.9%										
2010	2,615,354		2,615,354	-11.4%										
2011	2,764,566		2,764,566	5.7%										
2012	2,848,061		2,848,061	3.0%										

**Q5 Please provide any facts or evidence, and supporting internal documents, which demonstrate claims of cost savings from higher load factors.**

Increased load factors under the Alliance result in public benefit either directly through greater efficiency (ie, lower cost per seat sold) or indirectly by supporting greater capacity. Under the Alliance, the load factor for the Tasman has increased [CONFIDENTIAL] points whilst at the same time overall capacity has also increased 5%.

A plane has a set number of available seats and if the plane leaves the gate with empty seats, this inventory cannot be stored and is lost. That is, the overall costs of operating the flight are fixed, hence the greater the number of passengers on that flight the more efficient the use of the plane's "perishable" inventory, which is reflected in a lower average cost per seat sold.

In the initial authorisation process, the Commission accepted that increased load factors represent a source of efficiency improvement through the lowering of cost per seat sold. As previously discussed, cost per seat sold is not a metric that is tracked by the airlines. The airlines track load factors. Holding other things constant an increase in load factor will result in a corresponding reduction in cost per seat sold and the Alliance has allowed higher load factors for trans-Tasman services than would otherwise be possible.

**Q6 Please provide any facts or evidence, and supporting internal documents, which demonstrate the claim that the removal of double marginalisation has been passed through to consumers.**

In the Applicants' application to the ACCC dated 8 March 2013, Air New Zealand provided certain data at Air New Zealand Confidential Annexure J in relation to the removal of double marginalisation.

For most Australian cities, Air New Zealand does not file through fares (that is, a fare which includes the Trans-Tasman sector and the domestic sector), it files add-on fares. It has applied this

methodology consistently since before the Alliance. [CONFIDENTIAL]. Air New Zealand calculates these in AUD, and then converts them to NZD for NZ region sales. Air New Zealand also groups some markets so that it has a manageable list of fares to communicate.

These add-on fares are then added to the relevant trans-Tasman fare to create the actual fare provided to the customer for the whole route.

[CONFIDENTIAL].

Air New Zealand does not use add-on fares on a few sectors due to a system limitation, these are generally fares to/from PER, ADL and CNS. However, the methodology used to set these fares by Air New Zealand is similar to above, [CONFIDENTIAL].

[CONFIDENTIAL].

**Q7 In regard to the claim of a removal of double marginalisation, please detail how the Alliance's Revenue Management System, and related decision making tools and processes for ticket pricing, take into account interline trips when setting ticket prices. Please provide a breakdown of the reduced pro-rata costs at Annexure J by route.**

Air New Zealand and Virgin Australia each have separate revenue management systems, which are used to individually manage the flights that each airline respectively operates. While both parties manage their own inventory, on trans-Tasman routes inventory decisions are aligned to create an Alliance outcome.

Both airlines' revenue management systems manage flights at a "leg" level rather than an "origin and destination" level. For example, for an interline flight from Sydney to Napier via Auckland, the availability of each leg will be managed on a "point to point" basis as Sydney – Auckland and Auckland – Napier, rather than origin destination, namely, Sydney – Auckland – Napier.

For Air New Zealand, the ticket price of an interline trip is set by Air New Zealand's "Add ons", which is the price of the domestic sector being added to the Trans-Tasman sector. An "Add on" fare is distinct from a "through fare", which is a fare which includes the Trans-Tasman sector and the domestic sector in one fare amount.

The amounts charged by Air New Zealand for the Australian domestic sector are derived from the SPA rates which Virgin Australia offers Air New Zealand. The availability of domestic sectors is determined by the operating carrier at the time of booking.

A further confidential breakdown of the reduced pro-rata costs contained in Confidential Annexure J by route was provided to the ACCC as part of this response.

**Q8 Please provide revenue figures from Virgin Australia contracts with corporate customers for domestic routes and separately for trans-Tasman routes, on a quarterly basis, for the past five years.**

[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO VIRGIN AUSTRALIA]

**Q9** Please provide (separately for Virgin Australia, Air New Zealand and the Alliance) total dollars spent on marketing in New Zealand for trips to Australia for the past five years, on an annual basis, including a breakdown by type of marketing (e.g. advertising, familiarisation groups, etc).

**VIRGIN AUSTRALIA**

[CONFIDENTIAL].

Section 3 and Annexure G of the Applicants' joint submission dated 8 March 2013, provides detail of the various joint marketing activities that Virgin Australia has been involved in with Air New Zealand to stimulate demand for trips to Australia.

**AIR NEW ZEALAND**

Air New Zealand's marketing spend in New Zealand for travel to Australia is as follows. All dollar values are in NZD unless otherwise specified.

**New Zealand Region Point of Sale**

**Air New Zealand direct retail spend/marketing:**

Time period	Spend
YE June 09	[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO AIR NEW ZEALAND]
YE June 10	
YE June 11	
YE June 12	
YE June 13	

The above spend includes advertising such as television and online advertising and awareness activity around what there is to see and do in Australia. Funds are also available each financial year to advertise new routes (for example, Auckland - Sunshine Coast), changes to existing product offerings (for example, "lie flat" Business Class beds on Air New Zealand flights to Perth) and destination awareness activity. [CONFIDENTIAL].

**Air New Zealand indirect spend with indirect distribution partners:**

This section outlines Air New Zealand's indirect marketing spend in New Zealand for travel to Australia. Indirect marketing is defined as promotional activity which occurs in conjunction with a third party. Air New Zealand will provide funds or product to a third party (eg. travel management company, retailer (ie. travel agent), wholesaler or tourism organisation) who will promote travel from New Zealand to Australia and use the Air New Zealand branding or logo (as agreed) in the promotional activity.

Time period	Retail spend
YE June 09	[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO AIR NEW ZEALAND]
YE June 10	
YE June 11	
YE June 12	
YE June 13	

**Additional Air New Zealand promotional activity:**

**Expos** – Each year Air New Zealand spends approximately \$[CONFIDENTIAL] on attending and marketing at various expos. While Air New Zealand's promotions at these expos are not limited to the



marketing of trips to Australia, Air New Zealand's marketing spend at Expos certainly includes the promotion of trips to Australia.

**Famil seats** – In conjunction with its indirect distribution partners, Air New Zealand provides free of charge seats to Australia for the likes of familiarisation groups, prize-winners and giveaways at trade conferences. On average Air New Zealand provides [CONFIDENTIAL] free of charge New Zealand – Australia return seats per year.

In addition to this, Air New Zealand works with Australian State Tourism Offices to support familiarisation groups to Australia, provide tickets for different competitions or events, host special trade events in Australia or host journalists in Australia. On average Air New Zealand provides approximately [CONFIDENTIAL] return seats to Australia broken down by:

- [CONFIDENTIAL].

**Other** - In addition to the above, over the past 3 years including 2013, Air New Zealand has partnered with Tourism Australia on Australian television series shown on New Zealand television (for example, *My Kind of Place*, *Judy Bailey's Australia*). [CONFIDENTIAL]. Based on the Alliance average one way fare of AUD\$[CONFIDENTIAL] the total investment in seats as outlined above would be on average AUD\$[CONFIDENTIAL] per year.

Air New Zealand will, from time to time, run promotions for trips to Australia that are tied to the content of the television shows it is a partner of.

**Q10 Please outline what would happen to lounge access requirements absent authorisation, including any possibility that Virgin Australia and Air New Zealand may enter into lounge sharing arrangements.**

#### VIRGIN AUSTRALIA

Prior to the Alliance, Air New Zealand passengers travelling on domestic Australia services did not have access to Australian domestic lounges.

Absent reauthorisation, it is likely that Virgin Australia would either discontinue Air New Zealand passenger access to Virgin Australia's eight domestic lounges in Australia (as was the case prior to the Alliance) or at the very least grant access at a higher rate per passenger than currently agreed by the Alliance partners.

If the Alliance is not reauthorised, Virgin Australia believes that access to Air New Zealand's domestic and international lounges would either be discontinued or only granted to Virgin Australia's passengers on less favourable terms than currently agreed. As a result, Virgin Australia may need to renegotiate lounge access agreements with alternate providers.

#### AIR NEW ZEALAND

If the Alliance was not reauthorised, Air New Zealand would cease lounge co-operation on the Tasman. However, Air New Zealand notes that it would continue to carry Virgin Australia codeshare passengers who had already booked and paid for their travel prior to 31 December 2013, and these passengers will receive their usual FFP and lounge benefits in accordance with their pre-alliance entitlements for those booked flights.

**Q11 Does the Alliance submit that Air New Zealand would find it uneconomic to establish lounges in Australia absent the Alliance? If yes, please detail why this is the case, providing supporting internal documentation.**

[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO AIR NEW ZEALAND]

**Q12 Please provide a list of the top 5 Virgin Australia corporate customers (by revenue), and the top 5 new Virgin Australia customers (since the implementation of the Alliance, by revenue). For each of these please provide a contact person, telephone number and email address.**

**[RESTRICTION OF PUBLICATION CLAIMED – CONFIDENTIAL TO VIRGIN AUSTRALIA]**