

REAUTHORISING THE ALLIANCE BETWEEN AIR NEW ZEALAND AND CATHAY PACIFIC

Reason for this briefing	On 24 August 2015, Cabinet noted your intention to reauthorise the alliance between Air New Zealand and Cathay Pacific. This briefing serves as the instrument for you to grant reauthorisation to the alliance.
Action required	Agree to reauthorise the provisions of the alliance agreements between Air New Zealand and Cathay Pacific until 31 October 2019.
Deadline	Friday 28 August 2015
Reason for deadline	The existing authorisation will not expire until 30 January 2016. However, a decision is sought as soon as possible to provide certainty to the applicants and allow them to continue to give effect to the alliance.

Contact for telephone discussion (if required)

Name	Position	Telephone		First contact
		Direct line	After hours	
Richard Cross	Senior Adviser	04 439 9361		✓
Glen-Marie Burns	Manager, aviation & security			

MINISTER'S COMMENTS:

Date:	24 August 2015	Briefing number:	OC03360
Attention:	Hon Simon Bridges (Minister of Transport)	Security level:	In-Confidence

Minister of Transport's office actions

- | | | |
|--|--|---|
| <input type="checkbox"/> <i>Noted</i> | <input type="checkbox"/> <i>Seen</i> | <input type="checkbox"/> <i>Approved</i> |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i> | |
| <input type="checkbox"/> <i>Withdrawn</i> | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

Purpose of report

1. As you are aware, Air New Zealand and Cathay Pacific are seeking reauthorisation of an alliance, pursuant to section 88 of the Civil Aviation Act 1990. Under the alliance, the two airlines have been coordinating on their respective services between Auckland and Hong Kong. The alliance was initially authorised in 2012, and it will expire on 30 January 2016 unless it is reauthorised.
2. On 24 August 2015, Cabinet noted your intention to reauthorise the alliance for a further three years and nine months beyond its initial expiry date (until 31 October 2019).
3. This briefing serves as the instrument for you to grant reauthorisation to the alliance.

Action sought

4. The Civil Aviation Act 1990 provides you with the statutory authority to authorise provisions of cooperative arrangements between international airlines. Once you have granted authorisation to the provisions of the alliance agreements between Air New Zealand and Cathay Pacific (by signing this briefing), the agreements will be exempted from the Commerce Act 1986.
5. The provisions for which your authorisation is being sought are set out in a series of commercial agreements, which are attached to this briefing. These agreements are:
 - 5.1. The North Asia Alliance Agreement
 - 5.2. The Fourth Amendment to the North Asia Alliance Agreement
 - 5.3. The Fifth Amendment to the North Asia Alliance Agreement
 - 5.4. The First Amendment to the Code Share Agreement

We recommend that you issue a media statement, announcing your decision

6. We have separately provided your office with a draft media statement, announcing your decision to reauthorise the alliance until 31 October 2019.
7. We will work with your office to confirm the appropriate time to release the media statement. The timing will need to ensure that the applicants have had sufficient time to provide any comment to the relevant stock exchanges.
8. We will advise the applicants of your decision. As previously advised, we also intend to write to the applicants setting out our expectations of the alliance and how we will assess its performance should they seek a further reauthorisation in the future.

We intend to release a copy of our detailed analysis on our website

9. Consistent with our approach to previous alliance applicants, we intend to release a copy of our detailed analysis (provided to you on 27 July 2015) on our website. This will provide transparency to interested parties on the decision making process and the factors that were taken into account in making your decision. We will consult with your office before releasing this information, and will withhold any sensitive information in accordance with the Official Information Act 1982.

Recommendations

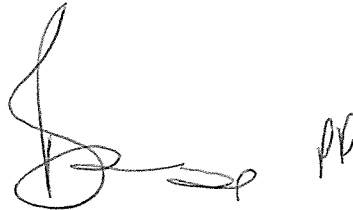
10. The recommendations are that you:

- (a) **authorise** pursuant to section 88 of the Civil Aviation Act 1990, the provisions of the North Asia Alliance Agreement, the Fourth Amendment to the North Asia Alliance Agreement, the Fifth Amendment to the North Asia Alliance Agreement, and the First Amendment to the Code Share Agreement, until 31 October 2019. Yes/No

- (b) **note** that a draft media statement has been provided to your office for your consideration.

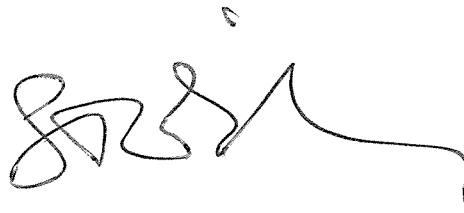


Richard Cross
Senior Adviser



Glen-Marie Burns
Manager Aviation & Security

MINISTER'S SIGNATURE:



DATE:

25/8/15