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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON

DEPT. OF TRANSPORTATION

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Joint Application of)
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 UNITED AIR LINES, INC.)
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 and)
)
 AIR **NEW ZEALAND** LIMITED)
)
)
 under 49 U.S.C. §§ 41308 and 41309)
 for approval of and antitrust)
 immunity for alliance agreements)
_____)

Docket OST-99- 8680-1

JOINT APPLICATION OF UNITED AIR LINES, INC. AND
AIR **NEW ZEALAND** LIMITED FOR APPROVAL OF AND
ANTITRUST IMMUNITY FOR ALLIANCE AGREEMENTS

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DATED: December 17, 1999

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DATED: December 17, 1999

JOINT APPLICATION OF UNITED AIR LINES, INC. AND
AIR NEW ZEALAND LIMITED FOR APPROVAL OF AND
ANTITRUST IMMUNITY FOR ALLIANCE AGREEMENTS

United Air Lines, Inc. ("United") and Air New Zealand Limited ("Air New Zealand") (collectively, the "Joint Applicants") hereby apply, under 49 U.S.C. §§ 41308 and 41309, for approval of and antitrust immunity for the agreement between the Joint Applicants referred to herein as the "Alliance Expansion Agreement" or "Agreement" (Exhibit JA-1, attached hereto).¹ United and Air New Zealand request that antitrust

¹ For purposes of this application, the terms "Alliance Expansion Agreement" and "Agreement" shall include the following agreements executed or anticipated by the Joint Applicants: (1) the Alliance Expansion Agreement entered into on December 1, 1999, attached as Exhibit JA-1; (2) the Air New Zealand/United Airlines Alliance Agreement effective December 2, 1996, attached as Exhibit JA-2; (3) the Code Share and Regulatory Cooperation Agreement effective December 2, 1996, as amended, previously filed with the Department on December 19, 1996 (undocketed) and
(continued...)

immunity for the Alliance Expansion Agreement be made effective immediately and remain in effect for a period of not less than five years. In support of this request, the Joint Applicants submit the following:

I. INTRODUCTION

United and Air New Zealand are partners in a code-share alliance that has operated since May of 1997, between the U.S., on the one hand, and New Zealand, Australia, and several islands in the South Pacific, on the other. This alliance has enabled the carriers to extend the reach of their global networks, increase the number of itinerary options each offers the public, and compete more effectively against the code-sharing alliance between Qantas and American, the leading competitors in the market for air travel between the U.S. and Australia/New Zealand.'

¹ (...continued)
attached as Exhibit JA-3; (4) the International Passenger Special Prorate Agreement effective May 15, 1997, attached as Exhibit JA-4; (5) the International Bilateral Cargo Prorate Agreement effective July 1, 1998, filed separately as Exhibit UA-1 under Rule 39 confidentiality procedures; (6) the United Mileage Plus* and Air New Zealand Air Points** International Carrier Participation Agreements effective April 15, 1997, filed separately as Exhibit UA-2 under Rule 39 confidentiality procedures; and (7) any implementing agreements in furtherance of the foregoing agreements.

² In large measure, United's and Air New Zealand's ability to
(continued...)

Having successfully initiated a code-sharing alliance on their trans-Pacific services, United and Air New Zealand now desire to broaden and deepen their alliance to achieve fuller operational efficiencies and continue the expansion of their networks on a more integrated and coordinated basis. To accomplish this end, the Joint Applicants have executed the Alliance Expansion Agreement.

Through an enhanced alliance, United and Air New Zealand intend to coordinate their services, improve the efficiency of their operations, enhance their ability to compete in the global marketplace, and expand the benefits available to the traveling and shipping public. Although United and Air New Zealand will continue to be independent companies, the underlying objective of their Alliance Expansion Agreement is to enable the companies to plan and coordinate services over their respective route networks as if there had been an operational merger between them.

Approval of, and antitrust immunity for, the Alliance Expansion Agreement are supported by the many commercial advantages and efficiencies that will flow from the Agreement's

² (...continued)
provide these consumer and competition benefits is the direct result of the United States having concluded an open skies Air Transport Agreement with New Zealand in June of 1997.

implementation and redound to the benefit of consumers. Approval and immunity are also fully consistent with the Transportation Code and Department precedents in other alliance cases.

Through the broadening and deepening of their alliance, United and Air New Zealand will be able to offer an enhanced product to consumers while increasing competition in the global marketplace. The Agreement will permit the carriers to increase significantly the integration of their route networks, thereby generating many efficiencies and service enhancements that would not otherwise be attainable. The carriers anticipate that substantial economies can be achieved through closer coordination of their operations, marketing, planning, purchasing, support services, and the like.

These efficiencies will, in turn, benefit air travelers because they will translate directly into more competitive fare offerings and innovative new service options. Closer integration of operations, planning and marketing will better enable United and Air New Zealand to develop fully an integrated network of seamless transportation services, thereby enhancing customer convenience and satisfaction. Finally, an expanded alliance will position the Joint Applicants to compete more aggressively with Qantas, the other principal competitor in the region, and its

partners in the oneworld alliance, American, British Airways, Cathay Pacific, Canadian International, Finnair, Iberia, and Lan Chile, resulting in increased price and service competition among all market participants.

In summary, a grant of antitrust immunity will enable the Joint Applicants to generate substantially greater benefits for consumers through increased commercial cooperation on their South Pacific services than they would be able to achieve without a grant of immunity.

II. BACKGROUND

1. The Joint Applicants

United is a U.S. certificated air carrier holding authority to operate domestic and international scheduled air transportation of persons, property and mail. Among this authority is a certificate of public convenience and necessity for Route 130, which authorizes United to provide scheduled service to all points in New Zealand and Australia.

Air New Zealand is a flag carrier of New Zealand, a country with which the U.S. shares an open skies agreement. Air New Zealand operates international and domestic passenger and cargo services to, from and within the South Pacific region. Air

New Zealand holds broad U.S. exemption authority authorizing it to engage in scheduled and charter foreign air transportation of persons, property and mail from points behind New Zealand via New Zealand and intermediate points in the South Pacific to points in the United States and beyond.³

Air New Zealand owns a 50% interest in a holding company, Ansett Australia Holdings Limited ("Ansett Holdings"), which wholly owns Ansett Australia Limited ("Ansett"),⁴ a domestic airline in Australia, which has been authorized by the Department to display United's two-letter designator code on its intra-Australia services.'

Ansett Holdings also holds a 49% ownership interest in Ansett International Limited ("AIL")." See, Exhibit JA-2. AIL is an Australian flag carrier that has operated scheduled

³ Order 98-7-13.

⁴ The remaining 50% interest in Ansett Holdings is held by News Limited. See, Exhibit JA-5. Ansett Holdings also owns 100% of Kendall Airlines (Aust) Pty. Ltd. ("Kendall"), a carrier separately authorized to display United's designator code on its intra-Australia services. See Notice of Action Taken dated June 7, 1999 (Docket OST-96-1144).

⁵ See Order 95-1-15 (Docket OST-95-407, 1994). A timely renewal application was filed August 16, 1995, maintaining the code-share authority in effect under the terms of the Administrative Procedure Act.

⁶ The remaining 51% interest is held by Australian institutional investors.

international passenger services to and from Australia and points in Asia and the South Pacific since 1993.⁷ United and Air New Zealand recently obtained separate authority from the Department to display AIL's two-letter designator code on their trans-Pacific services, and, in the case of United, on flights it operates beyond San Francisco and Los Angeles to Atlanta, Boston, Chicago, Dallas/Ft. Worth, Las Vegas, Miami, New York, Portland, Seattle, San Diego, and Washington, D.C.⁸ Neither AIL nor Ansett currently operates trans-Pacific services with its own aircraft.

Air New Zealand and Ansett engage in the joint distribution of their services in the United States. Their networks are essentially complementary; Ansett primarily operates domestic service within Australia, linking most population centers in Australia to Air New Zealand's trans-Tasman and long haul, intercontinental services through extensive code sharing on these services. The joint distribution Ansett and Air New Zealand undertake in the U.S. is designed to enhance the sale of their joint network of integrated services while avoiding the

⁷ None of Ansett Holdings Ltd., Ansett, or AIL is a party to the Alliance Expansion Agreement.

⁸ See Notices of Action Taken dated October 21 and 29, 1999 (Docket OST-99-6088); Department Action on Application dated October 21, 1999 (Docket OST-99-6262) and Department Action on Application dated October 29, 1999 (Docket OST-99-6261).

duplication and added cost that would be involved if they maintained separate sales, planning and marketing staffs in the United States.

United has in place separate agreements to code share with each of Air New Zealand, Ansett, and AIL. Nonetheless, because those carriers coordinate their networks within Australia and New Zealand, United gains many of the benefits of that coordination, even though it maintains independent bilateral relationships with each carrier. As Air New Zealand and Ansett expand their joint services within Australia and between New Zealand and Australia, the number of points United can link to its own network beyond Auckland, Sydney and Melbourne by code sharing on Air New Zealand and Ansett increases, improving United's ability to compete with Qantas and its alliance partners for passengers traveling between the U.S. and Australia and New Zealand and points beyond. With its expanding commercial and equity ties with British Airways and code-share arrangement with American Airlines, Qantas enjoys substantial traffic feed from formidable global partners from both the United States and Europe.

2. Current United/Air New Zealand operations

As of December 15, 1999, United operated daily non-stop services on the following four U.S. -Australia/New Zealand routes:

Los Angeles-Auckland, New Zealand;
Los Angeles-Sydney, Australia;
San Francisco-Sydney, Australia; and
Los Angeles-Melbourne, Australia.

As of December 15, 1999, Air New Zealand operated nonstop services on the following three Australia/New Zealand - U.S. routes:

Auckland-Los Angeles,
Auckland-Honolulu, and
Sydney-Los Angeles.'

In addition, Air New Zealand operates non-stop service beyond the U.S. between Los Angeles and London (Heathrow) and Los Angeles and Frankfurt." Air New Zealand also operates service from Los Angeles and Honolulu to Papeete, French Polynesia and Rarotonga, Cook Islands over Los Angeles-Papeete-Auckland, Los Angeles-

⁹ Air New Zealand supplements its nonstop Auckland-Honolulu services with service over a Los Angeles-Honolulu-Auckland routing.

¹⁰ Air New Zealand's non-stop Los Angeles-Frankfurt service operates only two days per week. On the remaining five days per week, Air New Zealand code shares on Lufthansa's Los Angeles-Frankfurt flights, and beyond to Berlin, Dusseldorf, Hamburg, Munich, Brussels and Vienna. United operates no non-stop service on this route, but places its code on Lufthansa's non-stops. (Lufthansa places its code on Air New Zealand's Los Angeles-Auckland flights for passengers traveling between Germany and New Zealand.)

Papeete-Rarotonga-Auckland, Los Angeles-Honolulu-Rarotonga-Auckland, and Los Angeles-Papeete-Rarotonga-Nadi-Auckland routings; from Los Angeles and Honolulu to Nadi, Fiji over Los Angeles-Nadi-Auckland, Los Angeles-Honolulu-Nadi-Auckland, and Los Angeles-Papeete-Rarotonga-Nadi-Auckland routings; and from Los Angeles and Honolulu to Apia, Samoa and Tongatapu, Tonga over Los Angeles-Honolulu-Apia-Auckland, Los Angeles-Honolulu-Tongatapu-Auckland, and Los Angeles-Honolulu-Apia-Tongatapu-Auckland routings.¹¹

United and Air New Zealand each hold broad authority from the Department to code share on the other's services."

¹¹ Air New Zealand's Winter 1999 schedules are included in Exhibit JA-7.

¹² On August 6, 1999, the Department granted United a blanket statement of authorization permitting it to display Air New Zealand's code on United's flights (i) between any point(s) in the U.S. and any point(s) in New Zealand, either nonstop or via intermediate point(s); (ii) between any point(s) in the U.S., in conjunction with code-share services held out by Air New Zealand between New Zealand and the U.S.; (iii) between any point(s) in New Zealand and any point(s) in any third country; and (iv) between any point(s) in the U.S. and any point(s) in any third country. At the same time, the Department granted Air New Zealand a blanket statement of authorization permitting it to display United's code on Air New Zealand's flights (i) between any point(s) in New Zealand and any point(s) in the U.S., either nonstop or via intermediate point(s); (ii) between any point(s) in New Zealand, in conjunction with code-share services held out by United between the U.S. and New Zealand; (iii) between any point(s) in the U.S. and any point(s) in any third country; and (iv) between any point(s) in New Zealand and any point(s) in any

(continued...)

United currently code shares on Air New Zealand's flights on the Auckland-Honolulu, Auckland-Los Angeles and Sydney-Los Angeles routes. United also code shares on Air New Zealand's flights between Auckland and Brisbane, Cairns, Melbourne, Perth and Sydney, Australia; and between Sydney and Christchurch, Wellington and Queenstown in New Zealand.

With respect to intermediate island points in the South Pacific, United currently serves Nadi and Rarotonga from both Honolulu and Auckland by code sharing on Air New Zealand's services, and United recently began code sharing on Air New Zealand's flights between Los Angeles and Nadi and Papeete. Finally, United also code shares with Air New Zealand's affiliate and alliance partner, Ansett, and Ansett's affiliate, Kendell, to interior points in Australia in support of United's U.S.-Australia services."

Air New Zealand code shares on United's Los Angeles-Sydney, San Francisco-Sydney and Los Angeles-Auckland flights. United also displays Air New Zealand's code between the San

¹² (...continued)
third country. (Docket OST-99-6013). United and Air New Zealand previously held more limited authority to code share on each other's services.

¹³ See Order 95-1-15 (Docket OST-95-407) and Notice of Action Taken dated July 7, 1999 (Docket OST-96-1144).

Francisco gateway and Honolulu, and between the Los Angeles gateway and Boston, Chicago (O'Hare), Denver, Honolulu, Las Vegas, Miami, New York (JFK), Phoenix, Portland, San Francisco, Seattle, and Washington (Dulles) for passengers traveling between these U.S. points and Australia, New Zealand and the South Pacific islands.

United and Air New Zealand are both members of the Star Alliance, discussed infra at p. 59. A summary of Air New Zealand's and United's third-party code-share relationships is attached as Exhibit JA-6.

3. The Alliance Expansion Agreement

United and Air New Zealand signed an Alliance Expansion Agreement dated as of December 1, 1999, aimed at integrating their independent service offerings to improve the efficiency of those services and to create an integrated global air transport network. (Exhibit JA-1, Article 2.1). Although Air New Zealand's investment in Ansett Holdings and its alliance with Ansett, AIL and Singapore¹⁴ are intended to reduce its substantial competitive disadvantage vis-a-vis Qantas and its alliance partners, a broadening and deepening of its alliance with United is essential to its ability to achieve the scope and

¹⁴ See Exhibit JA-3.

scale of South Pacific services necessary for it to compete over the long term with Qantas and its partners."'

By means of the Alliance Expansion Agreement, United and Air New Zealand intend to expand their cooperative activities in each of the following principal areas:

a) Route and schedule coordination. The Joint Applicants will coordinate their route and schedule planning to the maximum feasible extent, with the goals of (i) offering the maximum number of traveling and shipping options of optimal quality and efficiency to the public; (ii) allocating resources such as fleets, airport slots and gates most efficiently; and (iii) enhancing profitability through coordinated route, schedule and operations planning. (Exhibit JA-1, Article 4.1.)

b) Marketing, advertising and distribution. The Joint Applicants intend to establish closer cooperation and integration of their marketing, advertising and distribution networks, programs and systems, including (i) joint marketing, with a focus on specific customer groups, (ii) coordinated sales

¹⁵ Even though the code sharing in place today between United and Air New Zealand enables Air New Zealand to hold out what amounts to an online product to points in the U.S. it could not serve efficiently with its own aircraft, it still cannot match the efficiency of Qantas' more extensive airline network of South Pacific services. Only by full co-ordination with United can a carrier the size of Air New Zealand achieve the level of efficiency already enjoyed by its larger rivals.

forces, and (iii) unified commission schedules and override agreements. (Exhibit JA-1, Article 4.2.)

c) Co-branding and joint product development. The Joint Applicants may seek to co-brand existing products, possibly through the use of a joint logo and/or corporate markings. They also plan to consider developing co-branded products, including such things as interior design, cabin layout, in-flight entertainment amenities, and passenger ground services. (Exhibit JA-1, Article 4.3.)

d) Code sharing. In order to expand the parties' global networks, United and Air New Zealand intend to extend code sharing to as much of their U.S. -Australia/New Zealand route network as possible, and to such other of their services as is feasible, subject to applicable air service agreements. (Exhibit JA-1, Article 4.4.) In the case of Air New Zealand, such code sharing will enable the carrier to extend its online network into most of the major population centers in the United States, an extension of its network that is critical to its ability to compete with Qantas and its partners -- American, British Airways and Air Pacific -- in the global marketplace. Without code sharing, it is economically impossible for a small carrier like

Air New Zealand to develop an online network comparable to those of its larger competitors.

In United's case, code sharing with Air New Zealand (and its affiliate, Ansett) is essential to its ability to extend its network into behind-gateway points in New Zealand and Australia, and to gain online access to the island nations Air New Zealand serves in the South Pacific. With this access, United can offer consumers throughout the U.S., Australia and New Zealand an attractive online alternative to the network of services that Qantas, American, and their partners, Air Pacific¹⁶ and Polynesian Airlines, offer.

e) Pricing, inventory and yield management coordination. The Joint Applicants will coordinate pricing, inventory and yield management with respect to all services included in their respective networks, including the development of corporate fares, net fares, retail and promotional fares, bids for government business, uniform auxiliary service charges and collection policies, revenue management and inventory management. (Exhibit JA-1, Article 4.5.)

¹⁶ Air Pacific is 46% owned and managed under contract by Qantas.

f) Revenue sharing. The Joint Applicants intend to share net revenues (less certain operating costs) on routes they will later identify. (Exhibit JA-1, Article 4.6.)

g) Joint procurement. The Joint Applicants will seek to expand their joint procurement opportunities in an effort to reduce costs, including volume purchases, the establishment of common specifications, streamlining purchasing, and establishing a joint purchasing group. Joint procurement efforts may include such things as ground handling services, general goods and services, field and station supplies, catering, crew uniforms, information technology, aircraft and equipment, fuel and maintenance. (Exhibit JA-1, Article 4.7.)

h) Support services. The Joint Applicants plan to extend their cooperative efforts with respect to air and ground side passenger and aircraft handling services at all the airports they serve in common. In third countries, the Joint Applicants will determine the most cost-effective means of meeting their combined needs. They also will look to implement joint crew and personnel training and investigate joint purchasing for catering operations and other services. (Exhibit JA-1, Article 4.8.)

i) Cargo services. The Joint Applicants contemplate integrating their cargo services to the maximum extent feasible,

including the development of express cargo products, joint usage of cargo facilities, coordinated trucking, and harmonized cargo standards. (Exhibit JA-1, Article 4.9.)

j) Information services. The Joint Applicants plan to coordinate their information systems, including inventory, yield management, reservations, ticketing, distribution and other operational systems, with the goal of integrating to the fullest extent possible all of their information technology. The Joint Applicants also will work to jointly utilize new technologies such as electronic ticketing, on-line distribution networks, flight planning, accounting, maintenance and other technology systems. (Exhibit JA-1, Article 4.10.)

k) Frequent flyer programs. The Joint Applicants intend to integrate further their frequent flyer programs to enhance program administration, reduce costs and improve efficiency. (Exhibit JA-1, Article 4.11.)

l) Financial reporting. To facilitate revenue sharing and promote easier coordination of yield management, the Joint Applicants will consider harmonizing their financial reporting practices, including revenue and cost accounting practices. (Exhibit JA-1, Article 4.12.)

m) Harmonization of standards/quality assurance. The Joint Applicants intend to harmonize their product and service standards and inflight amenities. (Exhibit JA-1, Article 4.13.)

n) Technical services/maintenance. The Joint Applicants will explore the possibility of each providing the other aircraft and ground equipment, as well as technical and maintenance services at appropriate locations. (Exhibit JA-1, Article 4.14.)

o) Facilities. The Joint Applicants will seek to share facilities and services at commonly served airports, to the extent feasible. (Exhibit JA-1, Article 4.15.)

The Joint Applicants plan to implement their Alliance Expansion Agreement upon receipt of all necessary government approvals, but they will not proceed without first receiving a grant of antitrust immunity from the Department as requested herein.

III. THE ALLIANCE EXPANSION AGREEMENT SHOULD BE APPROVED UNDER 49 U.S.C. § 41309 AND ANTITRUST IMMUNITY SHOULD BE GRANTED UNDER 49 U.S.C. § 41308.

A. EXTENDING ANTITRUST IMMUNITY TO THE UNITED/AIR NEW ZEALAND ALLIANCE IS CONSISTENT WITH U.S. COMPETITION AND AVIATION POLICIES AND WILL PROVIDE CONSUMERS IMPORTANT BENEFITS THAT WOULD NOT OTHERWISE BE OBTAINABLE.

The extension of antitrust immunity to the United/Air New Zealand code-share alliance is fully consistent with U.S.

competition and international aviation policies, which encourage such global arrangements between U.S. and foreign carriers in order to facilitate the expansion of airline networks and increase carrier efficiency, thereby benefitting consumers and enhancing competition. Indeed, in the case of a small carrier such as Air New Zealand, participation in an integrated global alliance with a U.S. airline is essential to allow the carrier to realize the full potential of the new opportunities available under the U.S.-New Zealand open skies agreement and to remain a vibrant, economically secure participant in the increasingly open and competitive global marketplace that is the principal objective of U.S. international aviation policy."

The air transport industry is virtually alone among global industries in being unable to utilize the normal commercial tools of mergers and acquisitions to increase the scope and scale of a firm's operations, due to the nationality limitations in virtually all bilateral air service agreements and

¹⁷ Indeed, at the time the open skies Air Transport Agreement between the U.S. and New Zealand was concluded in June of 1997, the governments signed a Memorandum of Consultations in which it was formally acknowledged that, in agreeing to open skies, the "New Zealand Ministers made it clear that it is in their expectation that favorable consideration will be given to applications for antitrust immunity for commercial arrangements between the United States airlines and New Zealand airlines, as such arrangements would give practical effect to the [Open Skies] Agreement."

the legal restrictions on foreign ownership and control of airlines in force in most of the world's leading industrial countries. In these unique circumstances, the Department's statutory authority to exempt inter-carrier alliance agreements from U.S. antitrust laws serves as a critical tool to assist U.S. and foreign airlines to work within the parameters of these governmental constraints to achieve the most efficient organizational structures possible, while maximizing network-to-network competition and helping carriers to respond better to consumers' increasing need for a truly global air transport product.

The Department has already approved and immunized seven alliances between U.S. and foreign airlines, including American's alliances with Lan Chile and Canadian, Northwest's alliances with KLM and Alitalia, Delta's alliance with Austrian, Sabena and Swissair,¹⁸ United's alliance with Air Canada, and United's alliance with Lufthansa and SAS. In each case, the Department has found that with such approval these alliances would provide

¹⁸ Effective August 5, 2000, the "Atlantic Excellence" alliance will disband. Delta intends to develop a separate alliance with Air France; Austrian plans to join the Star Alliance; Swissair and Sabena currently code share with American Airlines, and the carriers have applied for antitrust immunity for their alliance.

consumers with important new price, service and product options in the global marketplace.

The Department's expectations have been fully borne out in the marketplace as network-to-network competition has increased substantially, producing significant consumer welfare gains.¹⁹ As detailed in a Department report released this month, immunized alliances are providing "improved, more competitive services in literally thousands of markets."²⁰ "As a consequence, they are stimulating demand and are leading to procompetitive changes in the industry structure."

As former Assistant Secretary for Aviation and International Affairs Charles Hunnicutt explained earlier this

¹⁹ In the case of American/Lan Chile, however, United opposed the grant of antitrust immunity (Docket OST-97-3285). Although United wholly endorses the use of antitrust immunity as a means to achieve greater network competition, expanded efficiencies and increased service options for consumers, in the case of American/Lan Chile, United believes antitrust immunity will serve the opposite ends, i.e., it will inhibit the development of network competition and risk elimination of all nonstop competition between Miami and Santiago, Chile, a route where American is an entrenched, dominant incumbent.

²⁰ *International Aviation Developments: Global Deregulation Takes Off* (First Report), U.S. Department of Transportation, Office of the Secretary (Dec. 1999) at 2.

²¹ DOT press release, *DOT Report on Eve of Aviation Conference: Open Skies Agreements Have Resulted in Major Benefits for Consumers* (Dec. 3, 1999) at 1.

year, detailed studies by the Department confirm that "alliances holding antitrust immunity . . . are growing and are now . . . offering single-system service to millions of passengers annually[,]. . . providing improved service in a large number of markets that have historically suffered from poor service and no competitive benefits." Assistant Secretary Hunnicutt further pointed out that "consumers have responded favorably to the improved service being offered by the alliances, as . . . traffic in connecting markets is growing at 2.5 times the rate of growth in the so called gateway-to-gateway markets." The Department's studies also showed that "alliances have increased international aviation competition[, with] [t]wo or more alliances . . . now competing in nearly 2500 city pair markets." As a result of "the improved service and . . . competition offered by the alliances[,]. . . millions of consumers and thousands of communities . . . [now have] improved air service and lower fares." ²⁴

²² Remarks of Assistant Secretary Hunnicutt before the World Travel and Tourism Annual Conference, March 8, 1999, at 4.

²³ Id.

²⁴ Deputy Secretary of Transportation Mortimer Downey recently stated that the Department's studies "confirm that the existing airline alliances are competing and that this competition is producing substantial public benefits," including a "decline in average fares in U.S.-Europe markets." Mortimer L. Downey, Deputy Secretary of Transportation, "Our Strategic Goals: (continued...)

A study on international code sharing commissioned by the Department explains that carriers in an immunized alliance can "discuss and jointly decide on fare levels and the capacity deployed.... The result is that both airlines can aggressively market service in every city-pair market they serve...."²⁴ The study further noted that antitrust immunity "allows alliance partners to share revenue equally, assuring that both carriers can capture the benefits of the alliance."

The fact that alliances lower fares is further demonstrated in an independent empirical analysis conducted by economists Brueckner and Whalen at the University of Illinois, entitled "The Price Effects of International Airline Alliances." Specifically, the Brueckner and Whalen econometric study, based on DOT airline fare data, found that international alliance carriers charge "fares that are approximately 25 percent below those charged by nonallied carriers" on interline (connecting)

²⁴ (...continued)
Open and Safe Skies," Remarks before the Global Air & Space '99 Conference, Crystal City, Virginia (May 3, 1999) at 2.

²⁵ A Study of International Airline Code Sharing, Gellman Research Associates, Inc. (Dec. 1994) at 9.

²⁶ Id.

routes." At the same time, the authors' "results do not show clear evidence of any losses to gateway-to-gateway passengers from overlapping alliance service."²⁸ Similarly, the report on airline alliances the Department issued this month showed significant fare reductions in gateway-to-gateway city pairs where immunized alliances were operating transatlantic service."

The United/Air New Zealand alliance will offer consumers the same service and competition benefits as the other immunized alliances. With antitrust immunity, United and Air New Zealand will be able to achieve operating efficiencies that will create greater value for passengers and shippers, and generate economic benefits for communities throughout the carriers' regional route networks.

The past several years have witnessed a major expansion of airline services to and from the United States. Much of this growth has been the direct result of the Administration's strong

²⁷ Jan K. Brueckner & W. Tom Whalen, The Price Effects of International Airline Alliances, University of Illinois at Urbana-Champaign (Dec. 1998, revised Sept. 1999), p. 30.

²⁸ Jan K. Brueckner & W. Tom Whalen, Consumer Welfare Gains from United's Alliances with Lufthansa and SAS, University of Illinois at Urbana-Champaign (Dec. 1998), p. 6 (emphasis in original).

²⁹ *International Aviation Developments: Global Deregulation Takes Off*, supra, at 14-15.

support for liberalized aviation agreements with key trading partners around the world and reliance on antitrust-immunized alliances to promote expansion of carrier networks and increase network-to-network competition, especially in behind- and beyond-gateway markets, which historically have been heavily dependent upon interline connections. As the Department has confirmed, "[m]ultinational alliances have fueled enormous increases in connecting traffic, both in markets that have historically suffered from poor quality interline service and virtually no competitive benefits, but also by providing service alternatives in markets that already have the benefit of seamless service by other individual airlines.... They are also the only practical way to provide better service to thousands of passengers in long distance, low-density international markets.... This explains the growth in transnational alliances, as airlines around the world link their networks to capture the enormous efficiencies of larger networks and produce and market improved service to an ever-wider array of city-pairs."³⁰

In his speech to the World Travel and Tourism Conference, Assistant Secretary Hunnicutt described the

³⁰ *International Aviation Developments: Global Deregulation Takes Off*, supra, at 2 and 5.

Administration's motivation in seeking greater aviation liberalization: "To increase competition in the aviation industry, the U.S. has worked with other countries to eliminate thousands of restrictions that had been placed on airline operations by our bilateral aviation agreements." The Department has strongly supported liberalization of aviation bilaterals because "[e]nhanced competition . . . [makes] air travel affordable and accessible to many millions of new passengers." As Assistant Secretary Hunnicutt pointed out, "[s]ince 1992 traffic between the U.S. and foreign destinations has increased by 30 million passengers, service by U.S. airlines in those markets has increased by 70,000 departures and consumers are now paying 17 percent less for commercial air [service] than in 1992."³²

A key element of aviation liberalization is the ability afforded airlines to innovate and to develop new initiatives for serving new markets. According to Assistant Secretary Hunnicutt:

[T]hese initiatives [necessarily] involve business arrangements that permit airlines from different countries to serve the global market together. These partnerships range from basic codesharing arrangements involving just a few markets to the most advanced form

³¹ Remarks of Assistant Secretary Hunnicutt before the World Travel and Tourism Annual Conference, March 8, 1999, at 2.

³² Id.

of airline cooperation involving strategic alliances with antitrust immunity.

These cross-border arrangements are having a substantial impact on the structure of the airline industry. They are transforming it into a global network industry, and providing a basis for truly global air transportation systems. It is in this context that we are now seeing the development of multiple airline networks.

Id. at 2-3.

Up to now, however, the service and competition benefits generated by fully coordinated alliances have largely been confined to the transatlantic and U.S.-Canada transborder markets, even though New Zealand, Singapore, Korea and other key trading partners in Asia have signed open skies agreements with the United States, and Japan and the U.S. have agreed to a substantial liberalization of the air travel market between and beyond the two countries. With these market openings, U.S. carriers have entered into a number of code-sharing alliances with airlines throughout Asia and the South Pacific.

The United/Air New Zealand alliance will be the first fully integrated alliance involving a U.S. carrier in the Asia-Pacific region. As economies throughout the region improve and economic growth resumes, the open skies agreement with New Zealand and the grant of antitrust immunity to the United/Air New Zealand alliance can serve as the same type of catalyst for

improved service and increased network-to-network competition in the region that the open skies agreement with the Netherlands and the antitrust immunity granted the Northwest/KLM alliance did for the trans-Atlantic market. Most notably, as United and Air New Zealand take advantage of such immunity to improve service across their regional networks, increase their efficiency, and provide a better integrated product to passengers and shippers, the need for further liberalization of the U.S.-Australia air travel market, the largest in the South Pacific, will grow, leading, ultimately, to more competition and better service throughout the South Pacific.

B. A GRANT OF ANTITRUST IMMUNITY WILL ADVANCE U.S. FOREIGN POLICY OBJECTIVES.

The grant of antitrust immunity to the United/Air New Zealand Alliance Expansion Agreement would be fully consistent with the Department's policy of encouraging and facilitating the globalization and cross-networking of air transportation. As former Secretary Peña stated when he presented the current U.S. International Aviation Policy Statement, "the United States believes that globalization will bring vast benefits for all nations and air carriers that embrace and adapt to it.... [We are] firmly behind the movement to . . . increased international traffic and the growth of global networks." Remarks of Secretary

Peña at the 50th Anniversary Commemoration of the Chicago Convention, at 3, 6 (November 1, 1994).³³

Secretary Peña correctly observed that globalization necessarily involves the transcontinental linkage of hub networks, and noted that the "ability to effectively flow passenger traffic between [U.S. carriers'] own and others' networks . . . enable[s] carriers to provide much improved, more competitive services to millions more travelers and shippers every year." Remarks of Secretary Peña at 50th Anniversary Commemoration of Chicago Convention, at 4; see also DOT Policy Statement, 60 Fed. Reg. 21841, 21842-43 (May 3, 1995) (recognizing airlines' need for "broad, flexible authority to operate beyond and behind hub points, in addition to the hub-to-hub markets between . . . two countries").

The Department also has recognized the essential role of airline alliances in achieving globalization. See Statement of Secretary Peña (introducing the DOT Policy Statement) (April 25, 1995) ("Airlines are becoming increasingly global. Route networks are now being linked in alliances consisting of carriers

³³ See also Statement of Secretary Peña before the Senate Commerce Committee (July 11, 1995) ("the trend towards globalization of air services through efficiency-enhancing networks and alliances is here to stay, . . . offer[ing] great public benefits for all nations").

from different nations, with international hub-and-spoke networks that offer passengers on-line service to cities around the world"); see also Order 96-5-12 (May 9, 1996), at 17-18; Order 96-5-2 (May 21, 1996), at 2. In its recent report on multinational airline alliances, the Department pointed out that "the airline industry, by its very nature, is a network industry and . . . network competition produces far better service at lower prices . . . particularly [in] longer-distance, less dense markets.... Airline alliances, therefore, are the only practical way to provide improved, more competitive service to such markets."³⁴

In granting antitrust immunity to the alliance among Delta, Austrian, Sabena and Swissair, the Department stated:

[A]irlines around the world are forming alliances and linking their systems to become partners in transnational networks to capture the operating efficiencies of larger networks, and to permit improved service to a wider array of city-pair markets. We are already seeing the benefits of these international alliances, and we have undertaken to facilitate them and the efficiencies they can generate, and where possible to do so consistently with consumer welfare. We believe that competition between and among these global alliances is likely to play a critically important role in ensuring that consumers in this emerging environment have multiple competing options to

³⁴ *International Aviation Developments: Global Deregulation Takes Off*, supra, at 5.

travel where they wish as inexpensively and conveniently as possible.

Order 96-5-26 (May 21, 1996), at 27. A fully integrated United/Air New Zealand alliance will generate all of these public benefits and provide the framework necessary for the expansion of network competition in the Pacific region.

C. APPROVING AND EXTENDING ANTITRUST IMMUNITY TO THE UNITED/AIR NEW ZEALAND ALLIANCE EXPANSION AGREEMENT IS CONSISTENT WITH THE TERMS OF THE TRANSPORTATION CODE.

In relevant part, the recodified Federal Aviation Act instructs the Department to "approve an agreement . . . when the Secretary finds it is not adverse to the public interest and is not in violation of this part." 49 U.S.C. § 41309(b). The United/Air New Zealand Alliance Expansion Agreement is fully consistent with this statutory standard. The Agreement will promote, rather than reduce, competition and is consistent with the public interest. The Agreement is, moreover, consistent with, and will help to advance, U.S. international aviation and competition policy objectives. For these reasons, the Agreement should be approved by the Department.

1. Implementation of the Alliance Expansion Agreement With Antitrust Immunity Will Not Substantially Reduce or Eliminate Competition.

In prior orders where the Department has extended antitrust immunity to alliance agreements, it has relied upon the

type of merger analysis undertaken by the Department of Justice and Federal Trade Commission under Section 7 of the Clayton Act in deciding whether a proposed alliance is likely substantially to reduce or eliminate competition in any relevant market. In these alliance cases, the Department has examined competition in a series of relevant markets, including a worldwide market, U.S.-regional and country-pair markets, and individual city pairs where the alliance partners operate overlapping non-stop service, in determining the effect of the alliance. See, e.g., American/Lan Chile, Order 99-4-17 at 15-22; Delta/Austrian/Sabena/Swissair, Order 96-5-26 at 22.

In so doing, the Department has consistently pointed out that concentration figures in individual city pairs are not the best evidence of an alliance's impact on competition. As the Department has explained, "[i]ndividual airline nonstop city-pair markets usually have high levels of concentration, since only a few airlines serve most nonstop markets. A key consideration for determining whether . . . any . . . airline merger or joint venture . . . is likely to reduce competition is potential competition, i.e., whether other airlines can enter the relevant markets in response to inadequate service or supra-competitive prices." American/Lan Chile, Order 99-4-17 at 16. See also

Delta/Austrian/Sabena/Swissair, Order 96-5-12 at 18, and
American/Canadian, Order 96-5-38 at 17.

In this case, in addition to the worldwide aviation market, the relevant markets to be considered under applicable DOT precedent are a South Pacific regional market involving services between the U.S. and points in Oceania, a regional market involving services between the U.S. and Australia/New Zealand, and the two trans-Pacific non-stop city pairs in which United and Air New Zealand operate overlapping non-stop services -- Los Angeles-Auckland and Los Angeles-Sydney.

- a. Approval of the Alliance Expansion Agreement Will Promote, Not Reduce, Competition in the Global Marketplace.

Although recognizing that city-pair routes traditionally have been the focus for analyzing airline mergers, in granting immunity to airline alliances, the Department has emphasized that:

The rapid growth and development of global airline alliance networks requires an additional perspective on competitive impact -- the perspective of a worldwide aviation market in which travelers have multiple competing options for reaching destinations over multiple intermediate points. We have previously demonstrated that integrated alliances can offer a multitude of new online services to a vast array of city-pair markets, on a global basis.

American/Lan Chile, Order 99-4-17 at 15. Thus, the Department has concluded that "a significant element in [its] antitrust analysis . . . [must be] the extent to which facilitating airline integration (through antitrust immunity or otherwise) can enhance overall competitive conditions" in the global marketplace. Id. See also Delta/Austrian/Sabena/Swissair, Order 96-5-26 at 19

In the recent American/Lan Chile case, the Department went on to point out that:

The development of global network systems has fundamentally changed how we must evaluate the competitive effects of actions such as the formation of . . . proposed alliance[s] in each relevant market. Greater emphasis must now be placed on network competition, both in terms of identifying which city pairs may be affected by the formation of an alliance, and also in terms of understanding how the development of worldwide traffic flows support competitive service to any given city....

Order 99-4-17 at 16.

Extending antitrust immunity to the United/Air New Zealand alliance will enhance global airline competition. In the thousands of individual city pairs United and Air New Zealand will serve jointly, antitrust immunity will enable them to provide fully coordinated connections, marketing and services that will offer competition to other carriers and alliances that goes well beyond what they could offer through mere interlining or simple code sharing. These benefits should be most noticeable

to the ten million passengers who travel annually in the approximately 9,500 behind- and beyond-gateway city pairs where neither carrier would be able to hold out an online product in the absence of their alliance.

Today, the largest carrier in South Pacific markets is Qantas, together with its partners in the oneworld alliance, American, British Airways, Cathay Pacific and Canadian International. Qantas serves more points in Australia, New Zealand, and Fiji combined than any other carrier and has been able to extend its online network to key population centers in the U.S. and Canada through its code-sharing and frequent-flyer alliance with American and Canadian International. Qantas also benefits on its U.S. routes from traffic feed from its partner, British Airways

American has recently extended its online network into the South Pacific, including Australia and New Zealand, through an expanded code-sharing alliance with Qantas.³⁵ Both American and Qantas also have code-sharing alliances with Air Pacific,

³⁵ See Notice of Action Taken dated February 10, 1999 (OST-99-5007), which granted American an exemption to provide service between points in the U.S., via points in Fiji and New Zealand, and Sydney, Melbourne, Brisbane, Cairns, and Perth, Australia, and beyond to Adelaide, Australia and to points in New Zealand, and to integrate this authority with its existing U.S.-Australia/New Zealand/Fiji certificate and exemption authority.

which enable the carriers to link their networks to major tourist destinations Air Pacific serves in the South Pacific. Most recently, Air Pacific received authority to display both Qantas's and American's code on flights between Honolulu and Auckland."

The alliance of United, Air New Zealand and the Ansett group of carriers is today the principal competitive alternative in the South Pacific to the oneworld alliance. The strength of the oneworld alliance network in the South Pacific stems from the fact that Qantas, the largest carrier in the region, obtains traffic support for its network from both American and British Airways, which holds a 25% ownership interest in Qantas. British Airways, the largest carrier in Europe, and Qantas offer a coordinated network of services linking Australia and New Zealand with Europe, the Middle East and Southeast Asia. This network provides traffic feed for Qantas' services from Australia and New Zealand through Asia and the Middle East to Europe and across the Atlantic. American (and to a lesser extent Canadian International) provide traffic feed for Qantas's trans-Pacific services to North America from their extensive U.S., Canada and trans-Atlantic networks.

³⁶ Air Pacific, based in Fiji, has code-sharing relationships with American, Qantas, and Canadian International, as well as several regional carriers in the Pacific.

With antitrust immunity, United and Air New Zealand will be able to broaden and deepen their alliance, enabling them to expand and enhance the efficiency of the services they offer in competition with the oneworld alliance carriers. Once their networks are fully integrated, United and Air New Zealand will serve some 10,000 online city pairs, offering consumers ready access to more foreign destinations with new and improved routing alternatives. This increased competition will, in turn, compel Qantas and its partners to improve and expand their own services, offering the public more and better service alternatives. Ultimately, the need for Qantas and its partners to meet the increased competition from the United/Air New Zealand alliance will drive the complete liberalization of the U.S.-Australia air services agreement in order to facilitate the growth and expansion of U.S.-Australia air services. This, in turn, will help open the way for other U.S. carriers and their global alliance partners to extend their networks into Australia and New Zealand, which will further improve the service alternatives available to consumers and increase network-to-network competition.

b. The United/Air New Zealand Alliance Will Not
Reduce Competition On United States-South
Pacific Routes.

The air travel market from the U.S. to the islands scattered throughout the South Pacific is almost exclusively a leisure travel market, with at least seven carriers currently operating service from a gateway in the U.S. to one or more of these islands. These carriers are Air Pacific,³⁷ Air France, Air New Zealand, AOM, Continental Micronesia, Hawaiian, and Air Tahiti Nui.

Historically, United has not offered online service with its own aircraft to any of the South Pacific islands, except Guam. As a result of its code-sharing alliance with Air New Zealand, United is now able to offer online service from Honolulu to Nadi, Fiji,³⁸ between Honolulu and Rarotonga, Cook Islands,³⁹

³⁷ American holds out online services to several points in the region by code sharing on flights operated by Qantas and Air Pacific.

³⁸ Passengers returning to Honolulu or the U.S. mainland from Nadi travel via Auckland.

³⁹ Air New Zealand also operates services from Los Angeles and Honolulu to Papeete, French Polynesia and Rarotonga, Cook Islands over Los Angeles-Papeete-Auckland, Los Angeles-Papeete-Rarotonga-Auckland, Los Angeles-Honolulu-Rarotonga-Auckland, and Los Angeles-Papeete-Rarotonga-Nadi-Auckland routings; from Los Angeles and Honolulu to Nadi, Fiji over Los Angeles-Nadi-Auckland, Los Angeles-Honolulu-Nadi-Auckland, and Los Angeles-

(continued...)

and from Los Angeles to Papeete, French Polynesia. Because United and Air New Zealand have never been competitors on these routes, extending antitrust immunity to their Alliance Expansion Agreement cannot lead to any lessening of competition at these points. The effect of such immunity on service to Australia and New Zealand is discussed below.

c. The United/Air New Zealand Alliance Will Not Lead to a Substantial Reduction in Competition in Air Service Between the U.S. and Australia and New Zealand.

Approving the United/Air New Zealand Alliance Expansion Agreement, and granting the carriers immunity from U.S. antitrust laws to implement the agreement, will not lead to a substantial lessening of competition in the U.S.-Australia/New Zealand air travel market.

Qantas is currently the leading carrier in the market for air travel between Australia/New Zealand and the U.S., operating nonstop services to both Honolulu and Los Angeles from both Auckland and Sydney, with behind-gateway support from its own network of domestic and trans-Tasman services, and from

³⁹ (...continued)
Papeete-Rarotonga-Nadi-Auckland routings; and from Los Angeles and Honolulu to Apia, Samoa and Tongatapu, Tonga over Los Angeles-Honolulu-Apia-Auckland, Los Angeles-Honolulu-Tongapatu-Auckland, and Los Angeles-Honolulu-Apia-Tongapatu-Auckland routings.

services operated under its code by regional affiliates. In addition, Qantas recently expanded its network of U.S.-Australia/New Zealand services by adding five weekly nonstop frequencies between Melbourne and Los Angeles, two weekly frequencies on a Melbourne-Auckland-Los Angeles routing, and five weekly frequencies on a Brisbane-Auckland-Los Angeles routing. On October 31, 1999, Qantas also began operating its Sydney-Los Angeles services beyond Los Angeles to New York three times per week. "

Qantas also has unrestricted access to the New Zealand domestic market and to the trans-Tasman market between Australia and New Zealand as a result of the Single Aviation Market agreement between Australia and New Zealand.⁴¹ Qantas also gains traffic support for its network of U.S.-Australia/New Zealand services from its code-sharing and frequent-flyer alliances with American, British Airways, Canadian, and Air Pacific. Backed by this network, Qantas today operates 70% more weekly frequencies between Australia and New Zealand and the U.S. than Air New

⁴⁰ On December 9, 1999, Qantas announced that it will increase to five the number of weekly frequencies it offers between Australia and New York starting in June 2000.

⁴¹ The Single Aviation Market Agreement contemplates that the Australia and New Zealand aviation markets constitute one single market.

Zealand and 20% more than United. Since United and Air New Zealand announced their code-sharing alliance in 1997, Qantas has increased its U.S.-Australia/New Zealand service by 35%.

With Qantas holding such a substantial market position, there is no risk that the proposed integration of operations United and Air New Zealand contemplate would enable them to reduce service below competitive levels or to charge supra-competitive prices. Any effort on their part to do so would provide an immediate opening for Qantas to gain market share at United's and Air New Zealand's expense."'

Moreover, because the air travel market from the U.S to Australia and New Zealand is predominantly a leisure travel market, any effort by United and Air New Zealand to raise prices above competitive levels would lead quickly to a rapid decline in demand for their services as discretionary passengers shifted their business either to Qantas, or to more attractively priced leisure destinations. Such a decline in residual demand would reduce load factors on the carriers' trans-Pacific services, which would threaten the carriers' ability to operate profitably on the routes. If, in response, the carriers sought to reduce

⁴² Furthermore, as explained infra at 49-50, there is no risk of any loss of competition between Qantas and United/Air New Zealand on these routes.

frequencies, they could be forced to operate a less than daily service pattern, substantially reducing the attractiveness of their services to business passengers and lessening further their ability to compete with Qantas.

Even though, based on current schedules, United and Air New Zealand combined operate about 56% of total weekly frequencies between the U.S. and Australia and New Zealand, this does not mean that the partners would be able to engage in anti-competitive behavior. The Department has consistently found in other alliance cases that an alliance's holding of a leading market position does not by itself lead to a conclusion that the alliance's members could reduce competition. See Orders 99-4-17 at 16, 96-5-26 at 23, 96-5-12 at 22, and 92-11-27 at 15.

As the Department explained in approving the alliance between American and Lan Chile, "concentration figures are not conclusive A key consideration for determining whether . . . [an] alliance . . . is likely to reduce competition is potential competition, i.e., whether other airlines have the opportunity to enter the relevant markets in response to inadequate service or supra-competitive prices." Order 99-4-1 at 16. Similarly, in approving the alliance between Northwest and KLM, the Department emphasized that "[e]ven if a merger creates a firm with a

dominant market share, the merger would not substantially reduce competition if other firms have the ability to enter the market within a reasonable time if the merged firms charge supra-competitive prices." Order 92-11-27 at 15.

As was true in the case of the Netherlands, the open skies agreement with New Zealand ensures that any U.S. carrier may serve New Zealand from any point in the United States. American, Northwest and Continental have all operated in the U.S.-Australia/New Zealand market in the past. All of them could re-enter the market at any time should a profit opportunity arise. American, for example, could quickly enter with its own equipment if the incumbent nonstop operators sought to raise prices above competitive levels. Because it already code shares to both Australia and New Zealand, American would have access to behind-gateway traffic support from the extensive network of services Qantas operates within Australia.

Northwest, Continental and Delta are also free to resume or initiate Australia/New Zealand service should a profit opportunity arise due to efforts by incumbents to raise prices or restrict output on these routes. All of these carriers participate in alliances with a number of foreign partners and have been actively working to extend the geographic scope of

their systems into truly global online networks." The open skies agreement between the U.S. and New Zealand ensures these carriers (and all other U.S. airlines) the ability to extend their global networks into New Zealand whenever they desire.

Although the U.S. does not yet have an open skies agreement with Australia, the U.S. is entitled to designate an additional carrier to serve Australia under the terms of the current agreement." Under these circumstances, any effort by incumbent carriers to raise prices above competitive levels or restrict output is sure to meet with a new market entrant.

⁴³ As the Department pointed out in its recent report on multinational airline alliances, "[a]irlines, like other global network industries[,] . . . to compete profitably . . . must offer passengers as many destinations around the globe as possible." As the Department explained, "airline globalization . . . is being driven by economic demand and airlines' desire to enhance their competitive positions through better access to as many markets and passengers as possible" *International Aviation Developments: Global Deregulation Takes Off*, supra, at 4.

⁴⁴ Moreover, Australia recently announced its intention to pursue open skies aviation agreements with like-minded countries. Bilateral negotiations held this month between the U.S. and Australia produced an open skies agreement for all-cargo service, and the two countries plan to meet early next year to discuss removing all restrictions on passenger service. DOT Press Release, *United States, Australia Agree to Open Skies for Cargo* (Dec. 14, 1999).

d. There Will Not Be a Substantial Reduction
in Competition in Any City Pair.

Approving the United/Air New Zealand alliance will not lead to a substantial reduction in competition in any city pair. United and Air New Zealand today operate nonstop service in competition with each other on only two U.S.-Australia/New Zealand routes: Los Angeles-Auckland and Los Angeles-Sydney." Both of these are leisure-oriented routes, and none of the endpoints is a hub dominated by United or Air New Zealand. Moreover, both routes are served by an established, vigorous nonstop competitor, Qantas Airlines, whose market position and

⁴⁵ United and Air New Zealand also both operate nonstop services on one additional route: Los Angeles-London. United/Air New Zealand operational coordination on this route, however, will enhance rather than reduce competition for at least the following reasons: four nonstop competitors will remain on the Los Angeles-London Heathrow route after United and Air New Zealand are granted antitrust immunity, ensuring continued vigorous competition; United's and Air New Zealand's relatively small combined presence on the route itself precludes any possibility of a unilateral exercise of market power by United/Air New Zealand; and coordination of schedules and other commercial variables between United and Air New Zealand on this route will actually improve Los Angeles-London competition by creating a more attractive combined product for the parties to offer corporations in competition with British Airways, American Airlines, and Virgin Atlantic. Moreover, Air New Zealand's Fifth-Freedom service on this route serves primarily U.K.-New Zealand, rather than local Los Angeles-London, traffic, and thus even its modest share of Los Angeles-London frequencies and seats overstates its current competitive significance with respect to local passengers.

competitiveness is enhanced by its alliance with American Airlines and its membership in the oneworld global alliance.

In prior cases, the Department has granted immunity to alliances even though the applicants operated the only nonstop service on hub-to-hub routes linking their networks. For example, the Department immunized the Northwest/KLM alliance even though the Detroit-Amsterdam and Minneapolis-Amsterdam hub-to-hub routes would be served only by Northwest/KLM, with arguably no likelihood of additional nonstop entry because of the carriers' extreme dominance of the respective end points of the routes. Order 92-11-27 at 16. Similarly, the Department immunized Delta's alliance with Austrian, Sabena and Swissair, even though no other carrier operated nonstop service on the New York-Geneva and New York-Vienna routes. Order 96-6-33 at 10.

Here, by contrast, not only is there a strong second competitor already operating nonstop services on the only two routes United and Air New Zealand both serve with their own equipment, but none of the end points of the routes is a hub the applicants dominate. With respect to LAX, the Department has previously found that "neither United nor Air New Zealand is dominant at the Los Angeles gateway." Order 97-5-7 at 4. Indeed, United operates just 27.2% of the departing and arriving

seats at LAX.⁴⁶ These figures are well below Northwest's comparable shares at Minneapolis and Detroit when the Department immunized its alliance with KLM.

Moreover, while United refers to LAX as a "hub" for marketing purposes, carriers such as American and Delta have significant local enplanement shares at Los Angeles and are well-positioned to enter either the Los Angeles-Auckland or Los Angeles-Sydney route if incumbents sought to reduce output or raise prices above competitive levels." Indeed, entry on these trunk routes by other U.S. carriers, such as Northwest/Continental or Delta, to support their developing global networks must be viewed as inevitable, and any exercise of market power by incumbents on those routes would only serve to hasten that entry. In fact, as noted above, Northwest, American and Continental have all served U.S.-South Pacific routes in the recent past, and there is no reason to believe that they would not reenter the South Pacific in response to a profit opportunity. Thus, even though United is today the leading

⁴⁶ This figure includes the 4% departing and arriving seats attributable to United Express carriers. (November 1999 OAG.)

⁴⁷ The carriers currently operating international service at LAX and United's other domestic marketing hubs are listed in Exhibit JA-8.

carrier at LAX, it has no ability to exclude competitors from the Los Angeles-Auckland or Los Angeles-Sydney routes.

With respect to Auckland, while Air New Zealand, as the major airline of New Zealand, naturally is the leading carrier there in terms of daily departures, fifteen other international carriers also serve that point, and Air New Zealand does not have any ability to exclude competitors from the Los Angeles-Auckland route. This is primarily because demand for travel at the U.S. end of the route is substantially greater than the demand for travel on the New Zealand end.

Simply put, an airline attempting to enter the Los Angeles-Auckland route would not need traffic feed at the Auckland end to support its operation; the inbound market to New Zealand from the U.S. is significantly larger than the outbound, so that the majority of the traffic on this route is U.S.-originating roundtrip passengers. A U.S. carrier, such as American or Northwest, thus would have to concern itself very little, or not at all, with ticket sales in New Zealand in order to enter the Los Angeles-Auckland route. Hence, while the Los Angeles-Auckland route serves to connect the United and Air New Zealand networks, for purposes of assessing ease of entry, Los

Angeles-Auckland should be analyzed as if it were a point-to-point route.

Likewise, Los Angeles-Sydney should be viewed as a point-to-point route for purposes of entry analysis. Neither United nor Air New Zealand maintains a hub at Sydney. Qantas is the leading carrier at Sydney and is the only airline operating a major international hub there. And Qantas operates more nonstop service between Sydney and Los Angeles than United and Air New Zealand combined.

Entry on either of these routes in response to any attempted exercise of market power by incumbents is even more likely given that traffic on both routes is heavily leisure-oriented. In the year ending June 1999, only 11.6% of short-term visitors arriving into New Zealand from the United States were traveling for a business purpose; 78% of such travelers were on vacation or visiting friends and relatives. Similarly, in the year ending June 1999, only 18.7% of U.S. resident arrivals in Sydney were for business purposes, while 63.5% were for the purposes of vacation or visiting friends and relatives. As the Department of Justice has stated, "the origin point presence effect that normally favors hub carriers is not as strong among travelers in leisure-oriented markets as in business-oriented

markets." *Comments of the Department of Justice*, Docket OST-97-2058, at 29 (May 21, 1998).

Even apart from the likelihood of new entry on the Los Angeles-Auckland and Los Angeles-Sydney routes, however, market conditions on those routes are such that United and Air New Zealand could not unilaterally exercise market power. Qantas is an aggressive competitor, entrenched on these routes because of their importance to Qantas's entire South Pacific network. Indeed, since Air New Zealand and United first began code sharing on their South Pacific services to and from Australia and New Zealand, Qantas has increased its nonstop service to the U.S. by 35%.

The likelihood of Qantas departing either of these two routes in response to increased competition from United/Air New Zealand after antitrust immunity is granted is negligible, particularly given the relative parity of frequencies operated by the carriers on these routes. On Los Angeles-Sydney, Qantas currently operates more weekly nonstop frequencies than United and Air New Zealand combined, and on Los Angeles-Auckland, Qantas offers the same level of service that United currently offers. The durability of Qantas's services is further strengthened by American code sharing on the flights that Qantas operates.

In addition, network-to-network competition between United/Air New Zealand and Qantas, supported by its participation in the oneworld alliance, is certain to increase as a result of the greater integration achieved between United and Air New Zealand after antitrust immunity is granted. The network-driven competition on these routes will serve to deter or destabilize any hypothetical attempt by incumbents to coordinate their competitive behavior.

For example, decisions regarding capacity and scheduling on the Los Angeles-Auckland/Sydney routes -- which connect the United and Air New Zealand (including its affiliate Ansett) networks -- will depend upon network-wide considerations, rather than factors peculiar to local passengers traveling on these two routes; these decisions, in turn, will affect pricing even for those local passengers. Indeed, this increase in network-based competition will inure to the benefit of local Los Angeles-Auckland and Los Angeles-Sydney passengers, who will reap the benefits of improved schedules, increased service (with attendant downward pressure on pricing), and other product quality enhancements serving to counterbalance any theoretical reduction in competition supposed to result from a change from three to two current nonstop carriers on the routes.

In sum, the Department should conclude that the United/Air New Zealand alliance is not likely to result in a substantial loss of competition in any city pair. New entry is likely should the incumbent carriers on the Los Angeles-Auckland or Los Angeles-Sydney routes ever attempt to exercise market power. And, because the routes will continue to be served by two vigorous, independent network competitors, competitive pricing and service levels are guaranteed even without regard to the prospect of new entry.

2. A Decision By the Department Approving the Alliance Expansion Agreement and Granting United and Air New Zealand Antitrust Immunity Is Supported By the Department's Actions in Other Cases.

The Department has the discretion to grant antitrust immunity to agreements approved under 49 U.S.C. § 41309 if it finds that immunity is required by the public interest. The Department's established policy is to grant antitrust immunity with respect to agreements that will not substantially reduce or eliminate competition if antitrust immunity is required in the public interest and the parties will not proceed with the transaction absent antitrust immunity. See Order 92-11-27 (November 16, 1992) at 18; Order 93-1-11 (January 15, 1993) at

11; Order 96-5-12 (May 9, 1996) at 15-16; Order 96-5-26 (May 21, 1996) at 17.

- a. A Grant of Antitrust Immunity To United and Air New Zealand Would Be in the Public Interest.

The Alliance Expansion Agreement between United and Air New Zealand will allow the carriers to operate their route networks efficiently, establish a more integrated air transport system through better network coordination, achieve economies of scope and scale, and enhance competition with other alliances. These benefits will result in lower costs, enabling United and Air New Zealand to offer the traveling public a broader network of integrated services at a lower price. United and Air New Zealand also will be able to increase efficiencies, reduce costs, and provide better service to the traveling and shipping public in the following ways:

1. Expanded Online Networks. With antitrust immunity, United and Air New Zealand will be better able to plan for the full coordination of services across their networks, linking the 256 cities United serves worldwide with the 48 cities Air New Zealand serves, a global network of about 9500 city pairs. Such an expanded network of online service options can only be accomplished on an efficient basis if the carriers

are free to coordinate their schedules, integrate network planning, and coordinate pricing, inventory and yield management without antitrust risk.

2. Improved Service in Behind- and Beyond-Gateway City Pairs. To achieve the maximum integration of their networks, especially in behind- and beyond-gateway city pairs, United and Air New Zealand must have the ability to operate as if there were a single firm with a common financial objective. To achieve such financial integration, United and Air New Zealand must have the ability to engage in joint or coordinated marketing, sales, pricing, yield management, and the allocation of revenues and earnings. This cannot be accomplished without antitrust immunity.

The April 1995 GAO Report on airline alliances concluded that "[w]ith immunity, Northwest and KLM can develop formulas to set fares in all markets and, according to Northwest and KLM representatives, quickly enact fare reductions to attract traffic." GAO Report, at 29. The GAO further observed that "[w]ithout immunity, airlines that are . . . competitors cannot discuss pricing issues and must develop prorated agreements in 'arm's length' negotiations to divide revenues, a cumbersome process when thousands of city-pairs are involved." Id.

Antitrust immunity will make it easier for United and Air New Zealand to engage in coordinated pricing and divide revenues on terms that make it more economically beneficial for the carriers to integrate their networks and extend online service into more behind- and beyond-gateway city-pairs.

3. Coordinated Networks. With immunity, United and Air New Zealand will be better able to coordinate their respective networks to achieve more efficient services and maximize service options. Without immunity, each carrier will schedule its trans-Pacific services independently to maximize its own individual economic gain without regard to whether a coordinated network of services would increase consumer choice and position the carriers to compete better with other alliances.

With immunity, however, the carriers will be able to coordinate their schedules to achieve a broader range of arrival and departure times, thereby giving passengers a broader choice of service alternatives, and better connections to behind- and beyond-gateway points. Without immunity, the coordination necessary to achieve such service improvements would expose United and Air New Zealand to unacceptable antitrust risks.

4. Wider Availability of Discount Fares. Currently, United and Air New Zealand price their services

independently in an effort to maximize the carriers' individual revenues. With immunity, the carriers could jointly price service over their combined networks with the objective of maximizing total network revenues. This will lead the carriers to expand the availability of discount fares, as they will have more seats to sell over a broader network, and consequently a greater need to utilize promotional pricing to fill seats that would otherwise go unsold.

5. Inventory Control. With antitrust immunity, United and Air New Zealand will be able to coordinate their seat inventory, and thereby achieve better capacity utilization, reducing costs for the benefit of the traveling and shipping public. Also, by coordinating yield management, United and Air New Zealand should achieve an optimum mix of revenue, facilitating their ability to offer a larger number of marginally priced deep discount seats while having to leave fewer seats unsold to ensure that space is available at the last minute for higher yielding passengers.

6. Reduced Sales, and Marketing Costs. With immunity, United and Air New Zealand will be able to integrate their sales forces and coordinate marketing strategies, reducing

costs and increasing the efficiency of their sales and marketing efforts.

b. United and Air New Zealand Will Not Implement Their Alliance Expansion Agreement Without Antitrust Immunity.

Because of the antitrust risks involved in coordinated planning, pricing, inventory and yield management, among other cooperative efforts, United and Air New Zealand will not proceed with implementation of their Alliance Expansion Agreement without antitrust immunity.

United and Air New Zealand firmly believe that the cooperative arrangements contemplated by their Agreement will benefit consumers and generate efficiencies that could not be achieved in the absence of the Agreement. The comprehensive cooperation envisioned, however, would certainly expose the carriers to possible antitrust challenges, with the attendant expense associated with protracted antitrust litigation.

The Department has agreed that, absent antitrust immunity, carriers may be unwilling to form alliances that can offer significant competitive and efficiency benefits. See Order 96-5-26 at 28 (Delta/Swissair/Sabena/Austrian) ("the potential antitrust liability for an agreement of this volume may deter the applicants from integrating their services as intended by the

Alliance Agreements unless they have antitrust immunity"); Order 96-5-12 at 26 (United/Lufthansa) ("since the applicants will be ending their competitive service in some markets, they could be exposed to liability under the antitrust laws if we did not grant immunity"); GAO Report, at 30 ("the key benefit of immunity . . . is the protection from legal challenge by other airlines," thereby allowing the participants "to more closely integrate their operations and marketing than they otherwise would for fear of legal reprisal").

In sum, the extensive integration and coordination essential for United and Air New Zealand to implement their Alliance Expansion Agreement can only be undertaken by the carriers with antitrust immunity. The implementation of the Agreement is expressly contingent on the Department granting antitrust immunity, and United and Air New Zealand will not proceed with the implementation of the Agreement without such immunity.

IV. ADDITIONAL SHOWINGS

United and Air New Zealand provide the following additional information typically requested by the Department when analyzing applications for antitrust immunity.*

⁴⁸ See, e.g., May 11, 1999 Joint Application of Alitalia-Linee
(continued...)

1. International Routes. United's and Air New Zealand's schedules identifying the international routes they currently operate are attached as Exhibit JA-4. United and Air New Zealand anticipate that they will continue serving these routes after their Alliance Expansion Agreement is approved, and have no plans to change their services contingent upon approval being obtained. United and Air New Zealand will continue to adjust their schedules depending on market conditions and competitive opportunities.

2. Code-Share Alliances. Exhibit JA-3 details Air New Zealand's and United's current worldwide code-share arrangements.

3. The Star Alliance. The Joint Applicants are both members of the Star Alliance, a cooperative marketing alliance whose member carriers currently serve 760 destinations in 112 countries. The Star Alliance was formed on May 14, 1997, and now includes United, Air Canada, Air New Zealand, Ansett International Limited, Ansett Australia, All Nippon Airways Co., Ltd., Lufthansa German Airlines, Scandinavian Airlines System, Thai Airways International and Varig Brazilian Airlines. In

⁴⁸ (... continued)

Aeree Italiane-S.P.A., KLM Royal Dutch Airlines and Northwest Airlines, Inc. (Docket OST-99-5674); Order 99-5-10 requesting additional information; June 22, 1999 Notice Requiring Supplemental Information; and July 19, 1999 Scheduling Notice finding the record substantially complete.

addition, Austrian Airlines, Compania Mexicana de Aviacion, S.A. de C.V., and Singapore Airlines have announced plans to become full Star Alliance members next year.⁴⁹

Through the Star Alliance and related code sharing, the partners seek to expand their route networks and obtain other benefits such as frequent-flyer program enhancements, reciprocal lounge access, purchasing efficiencies, reduced global distribution costs, and, where appropriate, shared airport facilities." The Star Alliance members work cooperatively to improve interline connections between the members' networks, primarily by improving the connections between their services at principal hubs, and to utilize better the members' networks, offering passengers improved service to more destinations worldwide.

The Star Alliance partners also seek to coordinate operations, to the extent permissible, in order to provide

⁴⁹ British Midland also recently announced its intention to join the Star Alliance.

⁵⁰ The Star Alliance does not include the coordination of pricing of members' individual or code-shared services, or the coordination of yield or capacity management, or other competitively sensitive activities. Where individual members are parties to alliance agreements that have been approved by the Department and immunized from the antitrust laws, they coordinate their activities with each other directly, not as part of the Star Alliance.

passengers a better, more seamless, and lower cost travel product. The members also use the "Star Alliance" mark as a means to distinguish their services in the marketplace and to enhance consumer loyalty.⁵¹ Both United and Air New Zealand plan to continue developing their code-share relationships with their partners in the Star Alliance.

4. United's U.S. Marketing Hub Airports. The U.S. and foreign airline services at each of the U.S. airports where United markets its services on the basis that the airport is a hub for United are detailed in Exhibit JA-7.

5. Significant Service and Equipment Changes. Upon approval of the Alliance Expansion Agreement, United and Air New Zealand intend to broaden and deepen their cooperation in the city pairs where they now offer online service through code sharing and to expand the number of such city pairs. They anticipate that this, in turn, will stimulate demand over their integrated networks, which will increase load factors and eventually lead to the acquisition of more aircraft than would be required without such integration. The timing of such

⁵¹ Individual Star Alliance members retain their separate corporate entities and maintain their own bilateral alliance agreements.

acquisitions, however, cannot be presently anticipated and will depend on commercial and economic considerations at that time.

6. New Entry at New Zealand and Australian Airports.

Airport facilities are generally available at all of the international airports in New Zealand and Australia to support new or increased service by U.S. carriers. The Sydney International Airport is relatively congested when compared with other airports in Australia and New Zealand, but facilities are available for new entry. Due to the high incidence of Qantas service at peak travel times, there are certain periods of the day when gates at the international terminal may not be available. Nonetheless, the airport's facilities are adequate to support new competitive entry by interested carriers. Moreover, in the past, U.S. carriers that have served Sydney have been able to obtain the gates and other facilities that they need to commence service. Slots are allocated on a non-discriminatory basis under IATA's standard slot allocation procedures, with a preference for new entrants (defined as carriers not operating more than four movements at the airport on the day in question). When the Australian Competition and Consumer Commission ("ACCC") reviewed and approved an alliance between Air New Zealand, Ansett, AIL and Singapore Airlines in 1998, it concluded that

airport access is not constrained at any of the airports where any of the three carriers have significant operations, including Sydney.⁵²

7. Impact on United's Revenue. The United/Air New Zealand alliance is an integral element in United's global network structure. United anticipates that expansion and development of its alliance with Air New Zealand will generate additional traffic and revenue, enhance United's operating efficiencies, and have a positive impact on United's system profitability.

8. Labor Issues. A grant of immunity for the Alliance Expansion Agreement will have a positive effect on job security, growth, and opportunity for employees of both United and Air New Zealand, as it will support the carriers' ability to extend their respective networks and offer efficient, competitive services.

9. Computer Reservations Systems. Consistent with Department precedent, United and Air New Zealand request that the grant of antitrust immunity encompass the presentation and sale of their services in computer reservations systems and the operations of their internal reservations systems.

⁵² Ansett, Air New Zealand, Singapore Airlines alliance agreement, ACCC final determination (July 22, 1998) at 61.

10. Civil Reserve Air Fleet. Grant of this application will have no effect on United's commitments to the Civil Reserve Air Fleet.

11. Air New Zealand O&D Data. Air New Zealand's internal origin and destination data for its top 50 city pairs involving a U.S. point for the twelve months ended April 1999 is being filed separately as Exhibit NZ-1 under Rule 39 confidentiality procedures.

12. Document Production. United and Air New Zealand are submitting separately, under motions for confidential treatment, documents comparable to those submitted in recent antitrust immunity proceedings as detailed in Exhibit JA-9.

V. CONCLUSION

WHEREFORE, for the foregoing reasons, United and Air New Zealand respectfully request that the Department approve, on an expedited basis, their Alliance Expansion Agreement under 49 U.S.C. § 41309, and grant antitrust immunity under 49 U.S.C. § 41308, for a period of at least five years, enabling United and Air New Zealand to broaden their cooperation, enhance the efficiency of their joint services, and expand the competitive

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United and Air New Zealand
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network benefits they may provide to the traveling and shipping
public.

Respectfully submitted,


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DATED: December 17, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Joint Application Of United Air Lines, Inc. And Air New Zealand Limited For Approval Of And Antitrust Immunity For Alliance Agreements on all persons named on the attached Service List by causing a copy to be sent via first-class mail, postage prepaid.


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INDEX OF EXHIBITS

- Exhibit JA-1: Alliance Expansion Agreement (December 1, 1999)
- Exhibit JA-2: Alliance Agreement (November 27, 1996)
- Exhibit JA-3: Code-Share and Regulatory Cooperation Agreement (November 27, 1996)
- Exhibit JA-4: International Passenger Special Prorate Agreement (May 15, 1997)
- Exhibit JA-5: Ownership Structure of Ansett Companies
- Exhibit JA-6: Third Party Code-Share Relationships
- Exhibit JA-7: United and Air New Zealand International Schedules
- Exhibit JA-8: Carriers Operating Weekly International Service at United's Domestic Marketing Hubs
- Exhibit JA-9: Summary of Documentary Evidence Submission

**ALLIANCE EXPANSION
AGREEMENT**

by and between

AIR NEW ZEALAND LIMITED

and

UNITED AIRLINES, INC.

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THIS ALLIANCE EXPANSION AGREEMENT (“EXPANSION AGREEMENT.”) is made and entered into on 1 December, 1999 (“the Effective Date”) by and between:

Air New Zealand Limited (which, together with Affiliates it may have, shall be referred to as “Air New Zealand”), a New Zealand company with its registered office at Level 21, Quay Tower, 29 Customs Street West, Private Bag 92007, Auckland, New Zealand; and

United Air Lines, Inc. (which, together with any Affiliates it may have, shall be referred to as “United”) a corporation organized and existing under the laws of the state of Delaware and having its principal executive office at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, USA

In this Expansion Agreement, Air New Zealand and United may each be individually referred to as a “Party” and may be collectively referred to as the “Parties”.

WHEREAS, pursuant to the Marketing Cooperation Agreement concluded between the Parties as of December 2, 1996, and the Code Share and Regulatory Cooperation Agreement concluded between the Parties as of December 2, 1996 (“the 1996 Agreements”), the Parties have operated an alliance based on limited cooperation which has created benefits for the travelling public; and

WHEREAS, the Parties now seek to enhance their alliance and expand it to all areas of the world served by either Party, whereby the cooperation between the Parties will be generally broadened and deepened; and

WHEREAS, the enhanced alliance will expand the benefits afforded by the Parties to the travelling and shipping public, and will facilitate new benefits including integrated service products, increased cost efficiencies, increased time efficiencies, and improved service options; and

WHEREAS, expansion of the Parties’ cooperation in various commercially important areas may require a revenue sharing approach for certain routes served by the Parties; and

WHEREAS, the Parties will seek immunity of this Agreement and the arrangements and activities specified or contemplated under it from U.S. antitrust laws pursuant to 49 U.S.C. §§ 41308 and 41309, and will also seek approval of this Agreement by the Australian Competition and Consumer Commission and its authorization by the New Zealand Ministry of Transport and/or New Zealand Commerce Commission without which the Parties will not proceed with expansion of their alliance as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants of the Parties herein contained the Parties hereby agree:

ARTICLE 1: DEFINITIONS

Capitalized terms shall have the meanings ascribed to them in Schedule 1

ARTICLE 2: SCOPE OF THE ALLIANCE

2.1 The Air New Zealand/United Alliance

The Parties shall plan and operate their respective networks, facilities and operations to create an integrated global passenger air transport service (“Air New Zealand/United Alliance”). The Air New Zealand/United Alliance formed pursuant to this Expansion Agreement reinforces and expands upon the alliance formed pursuant to the 1996 Agreements, which shall remain in full force and effect. The Air New Zealand/United Alliance shall be implemented by the Parties pursuant and subject to the terms and conditions set out in the 1996 Agreements and this Expansion Agreement. In case of any inconsistency between the 1996 Agreements and this Expansion Agreement, this Expansion Agreement shall take precedence.

2.2 Areas of Expanded Cooperation

The Parties shall further integrate their activities in each of the following substantive areas as set forth in greater detail in this Expansion Agreement and in such Implementing Agreements as the Parties may conclude pursuant to Article 2.3 hereof

- Route and Schedule Coordination
- Marketing, Advertising and Distribution
- Co-Branding and Joint Product Development
- Code Sharing
- Pricing, Inventory and Yield Management Coordination Pricing
- Revenue Sharing
- Joint Procurement
- Support Services
- Cargo Services
- Information Systems
- Frequent Flyer Programs
- Financial Reporting
- Harmonization of Standards/Quality Assurance
- Technical Services/Maintenance
- Facilities

The Parties shall also explore and pursue other opportunities for operational efficiencies from joint utilization of either Party's services and facilities, whenever feasible.

2.3 Contractual Framework

This Expansion Agreement establishes the basic principles for expansion of the alliance already in operation pursuant to the 1996 Agreements. The parties may enter into Implementing Agreements in order to define further and put into effect various details of the Air New Zealand/United Alliance. Any such Implementing Agreement shall be based upon and be consistent with, and its provisions shall be interpreted by reference to, this Expansion Agreement, except as the Parties may otherwise expressly agree in any such Implementing Agreement.

2.4 Retention of Corporate Identity

2.4.1 The Parties shall remain independent Air Carriers and each Party shall retain its own corporate identity. Each Party shall remain an entirely separate corporate entity, and unless otherwise expressly provided in this Agreement, will retain its own independent decision making and managerial competence and authority in all matters. Each party shall be responsible for supervising its representatives on the Alliance Committee.

2.4.2 Each Party is and shall remain an independent contractor. Nothing in this Agreement is intended to or shall be construed to create or establish any agency relationship, partnership, joint venture, or fiduciary relationship between the Parties. Except to the extent it is expressly so authorized in writing by the other Party, neither Party nor any of its Affiliates has authority to act for or to incur any obligations on behalf of or in the name of the other Party or any of its Affiliates.

ARTICLE 3: ALLIANCE, ADMINISTRATION

3.1 Administrative Structure For The Alliance

The Air New Zealand/United Alliance shall be administered by the Joint Alliance Committee ("Alliance Committee") established pursuant to the 1996 Agreements. The decisions of the Alliance Committee shall, provided they are properly within the scope of the functions and responsibilities allocated to the Alliance Committee by this Expansion Agreement or an Implementing Agreement, be binding on the Parties. The Parties shall take all necessary steps to ensure that such decisions are implemented by their respective organizations.

3.2 The Alliance Committee

In addition to its responsibilities under the 1996 Agreements, the Alliance Committee shall administer the implementation and operation of the Air New Zealand/United Alliance in the substantive areas set forth in Article 2.2 hereof. In particular, unless instructed otherwise by the Parties acting jointly, the Alliance Committee shall be responsible for the following:

3.2.1 Alliance Coordination

The Alliance Committee shall be responsible for coordination of Air New Zealand/United Alliance activities conducted by the Parties and for monitoring the application of this Expansion Agreement and of the Implementing Agreements.

3.2.2 Performance Monitoring

The Alliance Committee shall monitor the performance of the Air New Zealand/United Alliance and identify further areas in which synergies can be achieved.

3.2.3 Quality Control

The Alliance Committee shall define standards and goals for Air New Zealand/United Alliance services in the various operational areas, consistent with Article 4.13 hereof (“Harmonization of Standards and Quality Assurance”) and shall monitor the performance of the Parties in achieving those defined standards and goals.

3.2.4 Further Improvements

The Alliance Committee shall seek to identify ways to improve the performance of the Air New Zealand/United Alliance and, where appropriate, make specific recommendations to the Parties.

3.3 Commercial Decision Making

3.3.1 Each Party retains the right to make independent operational and business decisions. Nevertheless, the Parties will endeavour to cooperate regarding joint commercial efforts undertaken in connection with the Air New Zealand/United Alliance and this Expansion Agreement. If, after being addressed by the Alliance Committee, there is a disagreement between the Parties concerning an operational or business opportunity within the Alliance Committee’s area of responsibility (“Commercial Opportunity”), each Party shall be free to make its own independent business decision with regard to the subject matter of the Commercial Opportunity notwithstanding the existence of the Air New Zealand/United Alliance.

3.3.2 Notwithstanding Article 9 hereof, under no circumstances shall any Commercial Opportunity be the subject of any dispute resolution procedure pursuant to Articles 9.2 and 9.3 or any other proceedings in any national court, arbitration tribunal, administrative body, or an other legal body, and each Party hereby:

- irrevocably undertakes not to commence, participate in, invite, invoke or otherwise assist in any such proceedings; and
- irrevocably and unconditionally waives any and all rights of any description whatsoever in respect of any such Commercial Opportunity, except for the rights to preclude any proceedings in respect of any such Commercial Opportunity and to proceed unilaterally.

ARTICLE 4: PRINCIPLES FOR EXPANDED COOPERATION

4.1 Route and Schedule Coordination

The Parties shall coordinate route and schedule planning to the maximum feasible extent throughout their global route networks. The goals of their coordination shall generally be:

- **Maximizing Transport Option:** To offer the maximum number of travelling and shipping options of optimal quality to the public so that passengers and shippers are able to utilize the most efficient routings regardless of which Party is operating the flight.
- **Allocating Resources Efficiently:** To allocate and use the Parties' respective resources and capabilities, including but not limited to their fleets and airport slots and gates within the Air New Zealand/United Alliance network, in the most efficient way, consistent with each Party's system wide needs and regulatory constraints, and to minimize costs, such as delays and aircraft "dead time".
- **Enhancing Profitability** To enhance their profitability through coordinated route and schedule planning, joint determination of optimal capacities, improved service, and increased efficiency.

4.2 Marketing, Advertising and Distribution

The Parties shall establish closer global cooperation and greater integration of their marketing, advertising and distribution networks, programs, and systems, to the extent they jointly deem commercially beneficial, Without limiting the range of other coordinated activities the Parties may undertake, the Parties agree as follows.

- **Marketing** - The parties shall seek to provide for joint marketing of Air New Zealand/United Alliance services, including joint marketing targeted to corporate, group, and government customers and joint marketing of the Parties' frequent flyer programs, which shall be coordinated as described in Article 4.11 hereto.

To facilitate marketing and sales integration, the Parties may jointly create a unified commissions schedule using a single commissions accounting system, common override agreements for retail accounts, corporate accounts, and consolidator and special accounts; tour and vacations programs, and standard contracts.

- **Advertising** - The parties shall seek to provide for joint marketing of Air New Zealand/United Alliance services. Such advertising shall seek to emphasize the geographic scope and breadth of services of the Air New Zealand/United Alliance.
- **Distribution** - The Parties shall seek to establish in certain geographic areas a coordinated sales force, which shall conduct for the Air New Zealand/United Alliance distribution activities, such as **field** sales, reservations, operating city ticket offices, and special services (e.g., those directed to travel agencies, corporations, governments, groups, and VIP customers). The Parties shall seek to represent each other in certain geographic areas through general sales agencies and similar means, and may coordinate their use of general sales agents and consolidators in certain geographical areas. The Parties shall also seek to consolidate selected sales administration and planning functions, create common sales goals and support activity plans, and develop and coordinate use of electronic products and distribution channels as described in Article 4.10 hereto.

4.3 Co-Branding and Joint Product Development

The Parties shall seek to co-brand existing products and to this end shall explore the creation of a joint logo and/or joint corporate markings. The Parties shall also seek to jointly develop co-branded products, including, but not limited to, interior design, decoration and cabin layout, in-flight entertainment amenities and services, and passenger ground services. The Parties shall also seek to jointly develop co-branded products, including, but not **limited** to, interior design, decoration and cabin layout, in-flight entertainment amenities and services, and passenger ground services. The Parties shall also seek to share existing and future product and market research conducted by either Party and jointly undertake future product and market research. The Parties shall generally coordinate service offerings to ensure that **onboard** service throughout their respective networks is of a comparable high quality.

4.4 Code Sharing

In addition to the Code Sharing agreed under the 1996 Agreements, each Party shall, to the extent permitted by applicable treaties, laws and regulations, give the other Party the opportunity to engage in Code Sharing on any or all nonstop scheduled passenger services for which it is the operating carrier between New Zealand and the United States and such other services as the Parties may jointly select from time to time.

4.5 Pricing, Inventory and Yield Management Co-ordination

The Parties shall consult and coordinate on pricing, inventory and yield management with respect to all services included in their respective networks. Without limiting the range of other coordinated activities the Parties may undertake, the Parties shall, to the extent they jointly deem commercially beneficial:

- jointly develop, coordinate and offer fare products, including corporate fares, net fares, and retail sale promotional fares that use and enhance the Air New Zealand/United Alliance's global capabilities;
- jointly develop, coordinate, and prepare bids for group business and U.S. and New Zealand government business utilizing the Air New Zealand/United Alliance's global schedule;
- jointly develop and apply consistent uniform auxiliary service charges and collection policies (e.g., excess baggage, pets);
- harmonise methods and procedures concerning revenue management (e.g., passenger protection, dupe check, wait list priorities); and
- jointly develop inventory management allocations consistent with the principles set forth in Article 4.1 hereof.

4.6 Revenue Sharing

The Parties may share net revenues (less certain operating costs) received by either Party for scheduled passenger air transportation on certain routes subject to such additions or exceptions as the Parties may mutually determine from time to time. The selection of routes subject to revenue sharing, the definitions of gross and net revenue and operating costs, and the Parties' respective revenue allocations shall be determined in accordance with specifications and rules to be established jointly by the Parties. Revenue sharing shall be implemented as soon as practicable after these specifications and rules have been agreed. Until such time as these specifications and rules have been agreed the existing prorate agreements between the parties, and any future replacement or modification thereof, shall remain in effect under the conditions and terms specified therein.

4.7 Joint Procurement

The Parties shall seek economically viable joint procurement opportunities with the overall objective of reducing costs. Generally, the Parties shall seek cost reductions through;

- obtaining lower prices for necessary goods and services through volume purchases, establishment of common specifications, and improved access to world pricing data. Goods and services that may be subject to joint procurement include but are not limited to: ground handling services, general goods and services, field and station supplies, catering, crew uniforms, information technology products and services, aircraft and equipment, fuel and maintenance;
- eliminating redundant purchasing activities in geographic areas where one Party has a superior presence and knowledge of that market and
- cooperation between the existing purchasing **organisations**, the creation of dedicated joint procurement groups, and/or the establishment of single joint purchasing group.

4.8 Support Services

4.8.1 Passenger and Ramp Services

The Parties shall continue their co-operative efforts with respect to ground and in-flight passenger and ramp services as established in the 1996 Agreements (including, for example, passenger processing, through check-in, transfers, shared lounge facilities, baggage handling aircraft ground handling, and maintenance), and they shall seek to extend this cooperation to all airports served by the Parties. In third-country markets, the Parties will seek to identify the most cost-effective means of meeting their combined needs.

4.8.2 Training

The Parties shall implement joint training of crews and other personnel to the extent commercially and operationally feasible.

4.8.3 Catering

The Parties shall explore joint purchasing opportunities for their catering operations and related services. They shall also seek to establish common specifications and requirements for food, beverage, and catering supplies and equipment to the extent commercially and operationally feasible,

4.9 Cargo Services

Without limiting the applicability of the other provisions of this Expansion Agreement to the Parties' cooperation in the area of cargo, the Parties shall seek to **harmonise** and integrate their cargo services in ways that will enable them to **maximise** the **utilisation** of their global route networks and resources including, to the extent agreed in cargo specific Implementing Agreements, the joint development of express cargo products, joint usage of cargo facilities and terminals, ground handling, co-ordination of trucking and **RFS** services, and the **harmonisation** of standards for cargo products and services (e.g., joint **ISO 9000** certification).

4.10 Information Systems

The Parties shall seek to coordinate or **harmonise** their information systems, including without limitation, inventory, yield management, reservations, ticketing, distribution and other operational systems. To this end, the Parties shall consider implementation of the following consistent with the needs of the Parties and the Air New Zealand/United Alliance.

- Joint development and coordinated **utilisation** of new information technologies to facilitate compatible ticketing systems and products (such as electronic ticketing, Smart Cards, and Chip Cards), distribution channels (such as on-line networks), flight planning, accounting, maintenance, and such other systems and functions as the Parties may identify from time to time.
- Consolidation and/or coordination of existing information systems, resources and functions, such as voice and data networks, reservations networks, business resumption plans, backup site support, help desk support, system installation and maintenance, software distribution and licensing, LAN administration, and information systems business and technical skills.

The ultimate goal of such **harmonisation** shall be the integration of all information technology systems to the fullest extent consistent with the commercial integration taking place in other areas of the Air New Zealand/United Alliance. The implementation shall be driven by the business needs for integrated information technology support. However, the Parties do not intend to coordinate the management of their respective interests in the **CRS** systems owned and operated by Galileo International Partnership.

4.11 Frequent Flyer Programs

The Parties shall expand coordination of their Frequent Flyer Programs, as set forth in Paragraph 4(C)(2) of the 1996 Marketing Cooperation Agreement, so that passengers will be able to accrue and redeem mileage on either program for all flights throughout the Parties' respective air transportation networks. The Parties shall consider fuller coordination of their Frequent Flyer Programs.

4.12 Financial Reporting

To facilitate revenue sharing and to promote easier coordination of yield management, the Parties shall consider harmonizing their financial reporting practices, including revenue and cost accounting practices.

4.13 Harmonization of Standards & Quality Assurance

The Parties shall seek to harmonize their respective product standards, service levels and Inflight amenities. Pending such full harmonization, each Party shall in all respects afford customers of the other Party the same standard of service as it provides to its own customers.

4.14 Technical Services Maintenance

The Parties shall explore the possibility of each Party providing to the other Party aircraft and ground equipment, technical and maintenance services at appropriate locations.

4.15 Facilities

The Parties shall seek to share facilities and services at airports served by the flights of both parties, especially Code Shared Flights, to the extent commercially and technically reasonable.

ARTICLE 5: IMPLEMENTATION

5.1 Implementation Plan

Subject to the conditions set forth in Article 7 hereof, the Parties intend to implement the Air New Zealand/United Alliance as provided for in this Expansion Agreement commencing on the later of the **first** business day following the **fulfilment** of all of the conditions precedent contained in Paragraph 7.1 hereof or the first business day following the expiration of any regulatory restrictions on the timing or the activities contemplated in this Expansion Agreement (in either case, the "Implementation Date") and in accordance with an Implementation Plan to be developed jointly by the Parties.

5.2 Implementation Agreements

In order to create, develop, manage and maintain the Air New Zealand/United Alliance, the parties have determined that Implementing Agreements may be necessary. The Parties shall use all reasonable **endeavours**, to conclude Implementing Agreements as appropriate, in accordance with the Implementation Plan.

5.3 Regulatory

The Parties shall make a common approach to the U.S., New Zealand, Australia, and other agreed relevant authorities for the purpose of obtaining all Regulatory Approvals relevant to the Air New Zealand/United Alliance and the activities contemplated under this Agreement.

5.4 No Infringement

No Party shall be required by this Expansion Agreement under any circumstances to take any action which would infringe any statute, regulation or Approval or the order of any authority or court having jurisdiction over such Party or over all or any of the transactions contemplated by this Expansion Agreement.

ARTICLE 6. ARRANGEMENTS WITH THIRD PARTY CARRIERS

6.1 Admission of Third Parties

The Parties will be open to opportunities for cooperation with other potential participants in the Air New Zealand/United Alliance. Admission of third parties as additional participants in the Air New Zealand/United Alliance shall take place only by mutual consent of the Parties.

6.2 Alliances With Other Carriers

Each Party shall notify the other Party in advance and shall discuss with the other Party, any Cooperative Agreement which it proposes to enter into with any third party Air Carrier, or any significant extension or amendment which it proposes to make to any existing Cooperative Agreement with any third party Air Carrier, following the Effective Date. In order to maximize synergies and enhance customer service, the Parties shall seek to have alliances with the same third party Air Carriers, where feasible.

6.3 Commuter Carriers

Air New Zealand's regional connector/feeder carriers will be included under the terms of this Expansion Agreement, effective upon the Implementation Date. United shall use its best efforts to encourage its feeder network carriers to join the Air New Zealand/United Alliance, as expanded in accordance with this Expansion Agreement.

ARTICLE 7: CONDITIONS

7.1 Conditions Precedent

This Expansion Agreement shall not take effect until and unless the following Board and management Approvals and regulatory Approvals have been achieved, or obtained, or waived:

7.1.1 Board and Management Approval

Final internal management approval and board of directors approval, as necessary, of this Expansion Agreement has been obtained by both Parties.

7.1.2 Regulatory Approvals

All regulatory Approvals must have been obtained, including (without limitation) all requested approvals, authorizations, and clearances from (a) the United States Department of Justice and Transportation, including the immunization of the Parties from liability under the antitrust laws pursuant to 49 U.S.C. §§ 41308 and 41309 and (b) the Australian Competition and Consumer Commission and the New Zealand Ministry of Transport and/or New Zealand Commerce Commission, for all activities provided for in this Expansion Agreement, subject to conditions, if any, that are acceptable to both Parties.

7.1.3 Adverse Actions

The absence of any governmental or legal actions that would have a material adverse affect on the implementation this Alliance Expansion Agreement.

The Parties may jointly agree to waive in writing in whole or in part all or any of the conditions precedent set forth in Article 7.1 hereof.

7.2 Cooperation

The Parties shall cooperate fully and shall individually and collectively use all reasonable endeavours to fulfil or procure the fulfilment of the conditions set forth in Article 7.1 hereof and shall notify the other Party immediately upon the satisfaction of such conditions. In this connection, the Parties will work together to secure any government and other regulatory Approval as necessary to give effect to this Alliance Extension Agreement, and each Party, at its own expense, at the commercially reasonable request of the other Party, execute all documents and do all acts and things as are necessary to achieve such Approvals.

7.3 Termination for Non-Fulfilment of Conditions

7.3.1 In the event that a government or other regulatory Approval is subject to conditions or if a court of competent jurisdiction determines that any provision in the Alliance Expansion Agreement is in breach of applicable statutory or regulatory provisions, then the Parties will consult in good faith to determine whether this Alliance Expansion Agreement can be amended to affirmatively address such conditions or court determination without having a material adverse affect on the implementation of this Alliance Expansion Agreement. If

they both concur that such is possible, then they will use their best commercially reasonable best efforts to so amend this Alliance Expansion Agreement. The foregoing, however, shall in no way affect either Party's right to terminate this Alliance Extension Agreement pursuant to Article 7.3.2 or Article 8.

7.3.2 In the event of any of the matters set forth under Article 7.1 hereof not having been achieved or obtained (or waived by written consent of the Parties) on or before March 31, 1999 or such later date as may be agreed in writing between the Parties, either Party shall (provided it shall have complied with its obligations under Article 7.2 hereto) be entitled to terminate this Expansion Agreement upon written notice to the other Party.

7.4 The Parties shall cooperate fully and shall individually and collectively use all reasonable endeavours to procure any subsequent Approval's that the Parties agree have become necessary,

ARTICLE 8: DURATION AND TERMINATION

8.1 Indefinite Term

The Air New Zealand/United Alliance shall continue indefinitely unless terminated in accordance with Article 7.3 or the following provisions of this Article 8.

8.2 No Termination During Initial Term

Except as provided in Article 8.4 hereof, neither Party shall be entitled to terminate this Expansion Agreement during an initial term of two years following the Implementation Date ("Initial Term").

8.3 Termination Based on Commercial Opportunity

Except as provided in Article 8.4 hereof, following that expiration of the Initial Term, each Party shall be entitled to terminate this Expansion Agreement, by serving six months' written notice on the other Party, provided that:

8.3.1 the reason for the termination is a failure to reach agreement on a Commercial Opportunity after reasonable effort to do so;

8.3.2 the Commercial Opportunity in question, in the reasonable opinion of the terminating Party, concerns a fundamental, strategic operational or business decision relating to the Air New Zealand/United Alliance or to the terminating Party's business or is one of a number of unresolved Commercial Opportunities which in the reasonable opinion of the terminating Party cumulatively render a continuation of the Air New Zealand/United Alliance between the Parties undesirable or impractical for that Party,

8.3.3 the Parties' failure to resolve such Commercial Opportunity, in the reasonable opinion of the terminating Party, has treated or is likely to create a fundamental adverse effect on the business, prospects or assets of the Air New Zealand/United Alliance or of the terminating Party; and

8.3.4 the terminating Party has given prior written notice to the other Party that, in the event of the Parties failing to resolve the Commercial Opportunity, the terminating Party would consider termination of this Alliance Expansion Agreement pursuant to this Article 8.3.

Each Party's right to terminate this Expansion Agreement as described in this article 8.3 is in addition to other termination rights as provided in Articles 8.4 and 8.5 hereof

8.4 Termination for Cause

Either Party may terminate this Expansion Agreement at any time with immediate effect by serving written notice on the other Party within four months of the terminating Party first becoming aware of the occurrence of any of the following events:

8.4.1 an Insolvency Event in respect of the other Party.

8.4.2 a Change of Control in respect of the other Party; or

8.4.3. a Material Default which is not capable of remedy or which, if capable of remedy, is not remedied to the terminating Party's reasonable satisfaction within thirty (30) days after that Party has given the other Party written notice requiring it to be remedied; or

8.4.4 after the implementation of this Alliance Expansion Agreement, the (a) withdrawal or termination of immunity from the antitrust laws of the United States, (b) the withdrawal or termination of approvals or authorizations from the New Zealand and Australian Governments or other regulatory approval, or (c) the imposition of conditions or limitations on Approvals, actions by any court of competent jurisdiction, or changes in applicable law having a material adverse affect upon the alliance or this Alliance Expansion Agreement.

8.5 Termination without Cause

At any time after the fourth annual anniversary of the Implementation Date, either Party shall be entitled to terminate this Expansion Agreement for any reason by serving upon the other Party not less than twelve (12) months notice in writing.

8.6 Effect of Termination

Termination of this Expansion Agreement shall be without prejudice to any rights or liabilities that **accrued** under this Expansion Agreement prior to such termination.

8.7 Coordination with Termination of 1996 Agreements

Termination of this Alliance Expansion Agreement by either Party shall automatically constitute and **effectuate**, contemporaneously therewith, a termination of the 1996 Agreements, and termination of the 1996 Agreements by either Party shall automatically constitute and effectuate, contemporaneously therewith, a termination of this Alliance Expansion Agreement.

ARTICLE 9: GOVERNING LAW AND CONTRACT DISPUTE RESOLUTION

9.1 Governing Law

This Expansion Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, USA, without reference to the choice of law provisions thereof

9.2 Dispute Resolution

The Alliance Committee shall attempt to resolve any disputes that arise concerning interpretation of this Expansion Agreement or the performance of either Party. The Alliance Committee shall meet within ten (10) days upon notice by either Party that a dispute exists. If the Alliance Committee cannot resolve any such dispute within seven (7) days following the first day of such meeting, the dispute shall be referred to the Parties, which shall meet personally or by telephone within five (5) days. If no resolution is reached within three (3) days following the **first** day of such meeting, either Party may refer the matter to arbitration as specified in Article 9.3 below.

9.3 Arbitration

After completing the procedure set forth in Article 9.2 above, either Party may refer any dispute concerning interpretation of this Expansion Agreement or performance of contractual obligations hereunder to arbitration. All such disputes shall be finally settled by arbitration. The arbitration shall be conducted in New York, New York in English in accordance with IATA Resolution 780, "Interline Traffic Agreement - Passengers, Article 9 - Arbitration".

ARTICLE 10: CONFIDENTIALITY

10.1 Limitation on Disclosure and Use of Information

Except as necessary in any proceeding to enforce any of the provisions of this Expansion Agreement neither Party will, without the prior consent of the other, use, publicize or disclose to any third party, either directly or indirectly, any of the following (hereinafter "Confidential Information"):

- (i) this Expansion Agreement or any of the terms or conditions of this Expansion Agreement;
- (ii) any Implementing Agreement or the terms or conditions of any Implementing Agreement; or
- (iii) any confidential or proprietary information or data, in any form, received from and designated as such by the disclosing carrier, unless and to the extent that such Confidential Information consists of documents in the public domain.

10.2 Response to Legal Process

If either Party is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information obtained from the other Party, then the subpoenaed Party, before complying, will immediately notify the other Party and take reasonable steps to afford that other Party a reasonable period of time to intervene and contest disclosure or production.

10.3 Action Upon Termination

Upon termination of this Expansion Agreement, all Confidential Information, including any copies thereof made by the receiving Party, must be returned to the disclosing Party or destroyed.

10.4 Exchanged Data

Neither Party shall use information or data provided by the other Party (whether or not designated confidential or proprietary) in connection with this Expansion Agreement except in **fulfilment** of its obligations hereunder.

10.5 Survival

This Article shall survive the expiration or termination of this Expansion Agreement.

ARTICLE II: FORCE MAJEURE

Neither Party will be liable for delays or failure in performance under this Expansion Agreement caused by acts of God, war, sabotage, strikes, labour disputes, work stoppage, fire, acts of government or any other event beyond the reasonable control of that Party.

ARTICLE 12: SEVERABILITY

In the event that any one or more of the provisions of this Expansion Agreement shall be determined to be invalid, unenforceable or illegal, such invalidity, illegality and **unenforceability** shall not affect any other provision of this Expansion Agreement, and the Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Expansion Agreement. In that event or if an Approval is withdrawn or Approval that becomes necessary subsequent to the Effective Date is not granted, the Parties shall negotiate any appropriate adjustments to the terms of this Expansion Agreement so that the effects of such invalidity, illegality or **unenforceability** are shared fairly by the Parties. If the Parties are unable to negotiate such an adjustment within a reasonable period of time, such invalidity, illegality or **unenforceability** shall constitute a Material Default by both Parties if its effects are Material, entitling either Party to terminate in accordance with Article 8.4.3. If the effects of such invalidity, illegality or **unenforceability** are not Material, the invalid, illegal or unenforceable provision shall not affect any other provision of this Expansion Agreement, and the Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Expansion Agreement.

ARTICLE 13: HEADINGS

The headings contained in this Expansion Agreement are inserted purely as a matter of Convenience and neither form an operative part of it nor are to be used in interpreting its meaning.

ARTICLE 14: GENERAL INDEMNIFICATION

Except as otherwise provided herein, each Party shall indemnify and hold harmless the other Party and the directors, officers, employees, Affiliates and agents of the other Party from all liabilities, damages, losses, claims, suits, **judgements**, costs, and expenses, including reasonable attorneys' fees and expenses, directly or indirectly, incurred by the other Party as the result of any third party claims that arise out of or in connection with the performance or failure of performance of the indemnifying Party's obligations hereunder. In addition, each Party shall indemnify and hold harmless the other Party, Affiliates and agents of the other Party from all liabilities, damages, losses, claims, suits, **judgements**, costs, and expenses, including reasonable attorneys fees and expenses, directly or indirectly incurred by the other Party as the result of any claims by third parties that arise out of or in connection with any products or services received from or supplied by the indemnifying Party or its Affiliates in connection with this Expansion Agreement and/or the Air

New Zealand/United Alliance. This Article shall survive the expiration or termination of this Expansion Agreement.

ARTICLE 15: EXCLUSION OF CONSEQUENTIAL DAMAGES

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST REVENUES, LOST PROFITS, OR LOST PROSPECTIVE ECONOMIC ADVANTAGE, WHETHER OR NOT FORESEEABLE AND WHETHER OR NOT BASED ON CONTRACT, TORT, WARRANTY CLAIMS OR OTHERWISE IN CONNECTION WITH THIS EXPANSION AGREEMENT, AND/OR THE PRODUCTS OR SERVICES PROVIDED HEREUNDER, AND EACH PARTY HEREBY RELEASES AND WAIVES ANY CLAIMS AGAINST THE OTHER CARRIER REGARDING SUCH DAMAGES. THIS ARTICLE SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS EXPANSION AGREEMENT.

ARTICLE 16: NOTICES

Notices, demands, consents, approvals and any other communication required or permitted under this Expansion Agreement shall be in writing and given by personal delivery, first class airmail, or facsimile transmission to the Party to be served as follows:

For United

United Air Lines, Inc.
P.O. Box (WMQVQ) 66100
Chicago, Illinois 60666
USA
Attn.: Vice President-Resource Planning
Fax: 1 847 700 2534

United Air Lines, Inc.
P. O. Box (WHQLD) 661 00
Chicago, Illinois 60666
USA
Attn: General Counsel
Fax: 1 847 700 4386

For Air New Zealand:

Air New Zealand
Quay Tower, 29 Customs Street West
Private Bag 92007, Auckland 1, New Zealand
Attn. : General Manager Commercial
Fax: 64 9 336 2906

Air New Zealand
Quay Tower, 29 Customs Street West
Private Bag 92007, Auckland 1, New Zealand
Attn. : General Counsel
Fax: 64 9 336 2764

Either Party may change the above names and/or addresses used for it after providing ten (10) days notice to the other Party. Notices shall be deemed given upon actual delivery or 7 days following posting. Notices given by facsimile shall be deemed given when sent if transmitted before 4:30 p.m. local time of the addressee, but shall be deemed given on the next day, if so transmitted after 4:30 p.m. local time of the addressee.

ARTICLE 17: NO THIRD-PARTY BENEFICIARIES

This Expansion Agreement is for the benefit of the Parties and is not intended to confer any rights or benefits on any third party.

ARTICLE 18: ENTRY INTO ALLIANCE EXTENSION AGREEMENT

Each Party warrants that it is empowered to enter into this Alliance Expansion Agreement and has taken all necessary corporate action to enable it to do so and is not precluded from entering into this Alliance Expansion Agreement by its constituent documents or any other applicable agreement or instrument.

ARTICLE 19: AMENDMENTS

This Expansion Agreement may be modified only by a written instrument duly executed by an authorized officer of each party.

ARTICLE 20: COUNTERPARTS

This Expansion Agreement may be executed in one or more counterparts all of which taken together constitute one and the same instrument.

UNITED AIR LINES, INC.

AIR NEW ZEALAND LIMITED

By: Bruce Harris

By: Alastair Fernie

Name: Bruce Harris

Name: ALASTAIR FERNIE

Title: Director - Alliances

Title: MANAGER ALLIANCES

Date: 11/30/99

Date: 24/1/99

DEPT.	NAME	INITIAL
LAW	S. FUS	SF 12-1-99
USING	D. ZIEMER	DZ
IZ	Rebecca Khamneipis	RK

SCHEDULE I

Definitions

“Affiliate” means in relation to a Party, any Air Carrier which a Party owns an equity interest of 50% or more, and such other business undertakings as the Alliance Committee may unanimously decide to include in this definition, but with respect to Air New Zealand “Affiliate” shall not include Ansett Australia;

“Air Carrier” means (i) any person or entity licensed by a government authority to engage in direct air transportation or (ii) any persons or entities affiliated with such an entity, including, but not limited to a parent, subsidiary, or holding company;

“and/or” means, in relation to two or more items linked by this conjunction, any of the items, or both or all of the items;

“Approval” means any consent, ruling, approval, authorization, license, confirmation, exemption or waiver required or reasonably considered appropriate by either of the Parties in connection with the conclusion and/or implementation of the NZ/UA Alliance (except one whose absence has no Material adverse effect on the Alliance and the Parties);

“Change of Control” means the occurrence of either of the following events:

- i) the direct or indirect beneficial ownership of 20% or more of the voting stock of NZ or UAL Corporation is acquired or becomes held by an Air Carrier that is not one of the Parties to this Expansion Agreement; or
- ii) the sale, mortgage, lease or other transfer in one or more transactions other than to a Party’s Affiliate, not in the ordinary course of business, of assets constituting more than 50% of the assets of a Party other than for the purpose of a bona fide and solvent consolidation, **amalgamation** or restructuring;

“Code Sharing” means the operation by one Air Carrier of flights on which seats or cargo capacity are offered for sale by another Air Carrier using that other Air Carrier’s designator code alone or jointly with the operating carrier’s designator code;

“Commercial Decision” means an operational or business decision within the Alliance Committee’s area or responsibility, as described in Article 3.3;

“Commuter Carrier” means any regional or commuter Air Carrier that is, or subsequent to the Effective Date becomes, contractually entitled to operate flights under the Party’s airline designator code, but does not include an Affiliate of that Party;

“Confidential Information” means either of the following:

- (i) confidential or proprietary information or data, in any form, received from and designated as such by the disclosing Party; or
- (ii) this Expansion Agreement or any of the terms or conditions of this Expansion Agreement;

“Cooperative Agreement” means any significant code sharing agreement, alliance agreement, or other agreement between Air Carriers for broad commercial cooperation similar to the cooperation contemplated herein, but not including special prorate agreements;

“Effective Date” means 1 December, **1999**;

“Expansion Agreement” means the instant agreement including all schedules annexed hereto;

“Frequent Flyer Program” means a program or scheme operated by or for one or more Air Carriers under which passengers may earn awards for free travel and other benefits;

“Implementation Date” has the meaning ascribed to it in Article 5.1.

“Implementation Plan” means the plan for implementing the NZ/UA Alliance as provided in this Expansion Agreement, to be agreed between the Parties pursuant to Article 5.1;

“Implementing Agreement” means an agreement that may be concluded between the Parties after the date of and pursuant to this Expansion Agreement, which agreement is intended to define further the details of and put into effect the NZ/UA Alliance as provided in this Expansion Agreement;

“Initial Term” has the meaning ascribed to it in Article 8.2.

“Insolvency Event” means the occurrence of any of the following events or any analogous event, in relation to a Party, in any part of the world:

- (i) any distress, execution, sequestration or other process being levied or enforced upon or sued out against a Material part of its under-taking, property or assets or any proceeding in bankruptcy having been commenced, any of which is not discharged within **60** days;
- (ii) it being unable to pay its debts generally;
- (iii) it having ceased or-threatening to cease wholly or substantially to carry on its business, otherwise than for the purpose of a solvent reconstruction, amalgamation or restructuring;
- (iv) any **encumbrancer** taking possession of or a receiver, administrator or trustee being appointed over the whole or any Material part of its undertaking, property or assets; or

- (v) an order being made or resolution passed for its winding up, otherwise than for the purpose of a solvent reconstruction or amalgamation, or restructuring;

“Joint Alliance Committee” or “Alliance Committee” means the operational alliance committee established pursuant to Attachment 6 of the **1996** Agreement, referenced in the Agreement, as the Joint Alliance Group, and vested with responsibilities as set forth in Article **3.2** of the Expansion Agreement;

“**NZ**” means Air New Zealand, Limited, a corporation organized and existing under the laws of New Zealand and having its principal executive office at Level **21** Quay Tower, **29** Customs Street West, Private Bag **92007**, Auckland, New Zealand; and

“**NZ/UA Alliance**” or “Alliance” means the alliance formed by the Parties on the basis of and as generally described in Article **2.1**;

“Material”, when used in relation to a Party (the “Referenced Party”), means such that, in the reasonable opinion of the terminating or enforcing Party (the “Invoking Party”), it does or would:

- (i) prevent the Referenced Party from performing its fundamental obligations under this Alliance Agreement; or
- (ii) substantially deprive the Invoking Party of the benefit of the performance by the Referenced Party of its obligations to the Invoking Party under this Alliance Agreement; or
- (iii) fundamentally and adversely affect the business, prospects, or assets of the **NZ/UA Alliance** or the Invoking Party

and the expression “Materially” shall be interpreted accordingly;

“Material Default” means a failure by either Party in the performance or observance or any obligation set out in this alliance Agreement or in any implementing Agreement that is Material;

“**1996 Agreement**” means the Alliance Agreement concluded between the Parties as of December **2, 1996**;

“Party” means **NZ** or **UA**;

“Subsequent Term” means the two year period commencing on the date the Initial Term concludes;

“**UA**” means United Air Lines, Inc., a corporation organized and existing under the laws of the state of Delaware and having its principal executive offices at **1200** East Algonquin Road, Elk Grove Township, Illinois **60007**, U.S.A;

"**UA Express**" means those independent U.S. flag domestic carriers operating under the "United Express" service mark and trade name, pursuant to written agreement with **UA**; and

"United States" means all places in the fifty states comprising **the** United States; the District of Columbia and any territory, **trust** territory or possession of the United States, including Puerto Rico, Guam, American Samoa and the U.S. Virgin Islands.

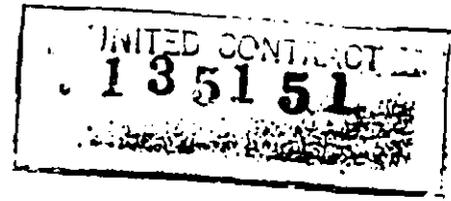
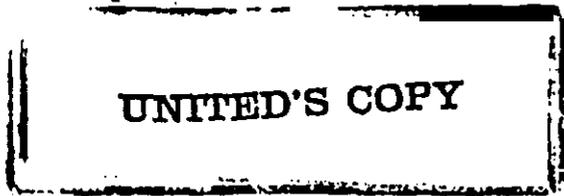


Exhibit JA-2

CONFIDENTIAL

AIR NEW ZEALAND / UNITED AIRLINES
ALLIANCE AGREEMENT

November 27, 1996

This Agreement is made and entered into by and between UNITED AIR LINES, INC.. with a principal place of business at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007 (hereinafter "UA" or the "carrier") and AIR NEW ZEALAND LIMITED, with a principal place of business at Quay Tower, 29 Customs Street West Private Bag 92007, Auckland New Zealand (hereinafter "NZ" or "Air New Zealand").

1. INTRODUCTION

NZ and UA are entering into this Agreement in order to increase each carrier's opportunities to offer competitive and cost effective air transportation services between points in the United States, Australia and New Zealand. Further, NZ and UA wish to improve the quality of the interline air transportation services they now offer so as to increase the use of those services by the traveling public and other customers. This Agreement establishes binding obligations between the parties, expresses the parties intentions, and sets forth a framework that provides the basis to accomplish these goals through subsequent Agreements and activities.

2. UNDERLYING OPERATIONAL CONCEPT

The parties will use a phased approach to develop and implement operational programs to create new, value added passenger services and cost efficiencies by taking advantage of each carrier's inherent service strengths.

3. **OBJECTIVES OF THE NZ/UA RELATIONSHIP**

Through development of the relationship contemplated by this Agreement and the Air New Zealand/United Airlines Code Sham and Regulatory Cooperation Agreement, United Contract #135150 and subject to any and all necessary governmental approvals and authorizations. NZ and UA intend to:

- A. Establish improved operations between each of Australia and New Zealand and the United States providing travelers with new and enhanced service options and reduced connection time alternatives to increase use of the Carriers' services by both the traveling public and other customers. To the extent of the activities contemplated under this Agreement require any governmental approvals and authorizations, those activities requiring same will be implemented after such governmental approvals and authorizations are obtained.

- B. Appoint one headquarters' level designee as the primary contact with the other party to manage and facilitate the processes contemplated by this agreement.

This Agreement is not intended to and shall not restrict either carrier's rights to pursue additional access between any points through either route acquisition or the normal government to government bilateral process. This Agreement is not intended and shall not restrict either Carrier's rights to exploit or market independently existing or additional routes or to determine the levels of fares and charges for any of its services. Further, nothing in this agreement confers or shall be interpreted to confer any rights of either Carrier to restrict the other Carrier's right or ability to maintain or charge such rates, tariffs, markets, services, marketing and distribution methods, competitive strategies. or to engage in full competition with each other and with airlines as it may decide in its absolute discretion.

4. **PROGRAMS**

The carriers will develop enhanced service features, as well as other programs to **support** the objectives specified in this Agreement. The Attachments to this **Agreement** outline specific actions and responsibilities for implementing these programs. Each of the programs will be incorporated into an existing **NZ/UA** contract or a new **contract, as** appropriate. **In** summary, subject **to** any and all applicable governmental laws, rules and **regulations**, these programs are:

A. SERVICE FEATURES (Attachment I)

(1) **Fully Automated One-Stop Check-In**

Air New Zealand and United will develop this capability, to provide passengers the convenience of checking into selected **UA, UA Express, or NZ airport** ticket counter and receiving seat assignments, boarding cards, baggage acceptance and tagging to final destination, documentation checks, immigrations advance passenger processing, Frequent Flyer a-edit for their **NZ/UA** connecting or code share flights as appropriate, and **security** related procedures, where applicable.

(2) **Improved Scheduling**

The carriers will review their schedules to maximize, as practicable, convenient connections to or from **UA and NZ** at Los Angeles, **and** Auckland and any other mutually **agreed** common gateways.

(3) **Inflight Product Coordination**

The carriers will evaluate the degree of coordination required, including announcements, on code share flights

(4) **Seamless Transfer**

The carriers intend to expedite the transfer of **all** passengers and **baggage between** themselves, as practicable, at Auckland, Los Angeles, and any other **mutually** agreed common **gateways** through development of a shorter than standard connection time, including all reasonable communications necessary to facilitate this objective

B. PROGRAM ELEMENTS

(Attachment 2)

(1) **Prorates**

The carriers intend to establish acceptable established prorates for **their** connecting services and to agree on an **acceptable** distribution of interline revenues to stimulate incremental **traffic**.

(2) **Group Procedures**

The **carriers** intend to establish procedures to accommodate group **traffic**, but status quo procedures will prevail for group bookings on operating Carrier, and enhanced procedures will be considered and discussed between Carriers and subject to **mutual** agreement of the Carriers.

(3) **Frequent Flyer**

(Attachment 3)

The carriers will evaluate and implement, as agreed, mutually beneficial programs to handle **their** Frequent Flyer members.

C. DISTRIBUTION

(Attachment 4)

(1) Display Improvement

To the extent permitted by applicable law and regulations, **UA and NZ** will provide reciprocal improvements in the display of their flights such that flights reflected under the operating Carrier's code will be displayed in the other Carrier's internal reservations and direct access displays at a priority equal to that provided by the other Carrier to air carriers with which the other Carrier has an Alliance relationship.

(2) Preferential Selling

The carriers will implement **procedures** at their respective reservations sales **offices** to sell the other **carrier**, on a "second to on-line" basis and in lieu of competitive off-line offerings, **except** city pairs with other alliance partners.

D. OPERATIONAL PROGRAMS

(Attachment 5)

Airport Security

The carriers **will** agree upon a mutually satisfactory aircraft security program for code share flights.

E. REGULATORY COOPERATION

The carriers will work together to secure the underlying governmental and other **approvals and** authorizations necessary to implement the **arrangements** contemplated herein, if any. The parties undertake to use their commercially reasonable best efforts to obtain such **approvals and** authorizations.

5. TERM

Subject to ~~the~~ provisions hereof, this Agreement ~~will~~ become effective as of December ~~2, 1996~~, and will continue thereafter for seven (7) years. Unless otherwise **terminated** pursuant to this paragraph or paragraphs **12** or **20**, this Agreement may be terminated by either party at that party's election, without cause, upon three hundred and **sixty five (365)** days' prior written notice.

For purposes of this Agreement, the Code Share and Regulatory Cooperation Agreement **between** the parties, United Contract **#135150**, is considered the Related Agreement. If the Related Agreement terminates or is not implemented for any reason whatsoever, then this Agreement will automatically terminate contemporaneously therewith.

6. COMPLIANCE WITH GOVERNMENT REQUIREMENTS

UA and NZ each hereby represents and **warrants** that all air **transportation** services performed by it pursuant to **this** Agreement or otherwise will be conducted in full compliance with all applicable federal, state, and local laws, statutes, orders, rules, and regulations.

7. **NON-EXCLUSIVITY**

This Agreement is non-exclusive and does not preclude either **UA** or **NZ** from entering into or maintaining existing marketing relationships, including Code Sharing, with other Carriers. Notwithstanding the preceding sentence, this Agreement is exclusive (except as **mutually** agreed) as it relates to frequent flyer programs in the USA, airport lounge exchange privileges with any other US flag carrier, and for code share for itineraries involving segments between:

Australia and the United States

New Zealand and the United States

- a) with the exception of either Carrier's relationships with **Ansett** Australia and,
- b) with the exception of **UA's** agreements with **Ansett** New Zealand.

8. **TRADEMARKS**

Neither carrier will use any trademark, trade name, logo, or service mark of the other without the prior written consent of the other. **All joint** advertising or press releases relating to matters covered by this Agreement shall be reviewed and approved by both carriers.

9. **CONFIDENTIALITY**

A. Except in any **proceeding** to enforce any of the provisions of this Agreement, neither **party** will, without the prior **written** consent of the other, use, **publicize** or disclose to any third party, either directly or indirectly, any **of the** following (hereinafter "Confidential Information"):

- (1) this Agreement or any **of the** terms or conditions of this Agreement; or
- (2) any confidential or proprietary information or **data**, either **oral** or written, received from and designated as such by the disclosing carrier.

- B.** If either carrier is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information, **then** that carrier, before complying, will **immediately** notify the **non-disclosing** carrier and the non-disclosing carrier shall have a **reasonable period** of time to intervene and contest disclosure or production.
- C.** If a governmental authority requests either carrier to produce or disclose to the **authority** this Agreement or any **of the** terms or conditions **of this** Agreement, such carrier, at its option and after notifying the other carrier, may produce or disclose the requested document or information. Neither party shall be in breach of this Agreement if compliance with this section would violate the laws, rules or regulations of its government, provided, however, that such Carrier will endeavor to obtain confidential **treatment** of such documents or portions of such documents **or** information by the government authority if **requested** by the other Carrier.
- D.** Upon termination of this **Agreement**, all Confidential Information, including any copies thereof made by the receiving party, must be returned to the disclosing carrier.
- E.** Nothing contained in this clause 9 shall prevent either Carrier from disclosing this Agreement to the attorneys or auditors or any other person **from** whom it requires advice on its obligations and **rights** hereunder.

10. **FORCE MAJEURE**

Neither carrier will be liable for delays or failure in performance under this Agreement caused by acts of God, war, strikes, labor **disputes**, work stoppage, fire, acts of government or any **other** event beyond the control of that Carrier (hereinafter "Force **Majeure**"). If a Carrier is prevented in whole or in part from ~~carrying out its obligations under this agreement (other than an obligation to pay money)~~ as a result of a Force **Majeure**, it will advise **the** other Carrier accordingly, and both **Carriers** will seek to **use** commercially reasonable efforts to remedy or abate this Force **Majeure** or **otherwise** work together to **continue** the relationship within the context of the Force **Majeure**. Following this advice, and while **the** Force **Majeure** continues, the obligations, which cannot be performed (other than an obligation to pay money) because of the Force **Majeure**, will be suspended.

11. **NATURE OF RELATIONSHIP BETWEEN UA AND NZ**

The relationship of **the** parties hereto is **that** of independent contractors. Nothing in this Agreement is intended to or shall be construed to create or establish any partnership or joint **venture** relationship between the carriers.

12. TERMINATION FOR CAUSE

- A. If either **carrier** (the "Defaulting Party") becomes insolvent: if the other carrier (the "Insecure Party") has evidence that the Defaulting Party is not paying its bills **when due without just cause**; if the Defaulting Party takes **any** step towards its cessation as a **going concern**: or if the Defaulting Party **either ceases or suspends operations for reasons other than a Force Majeure**, then the Insecure Party may immediately terminate this Agreement on notice to the Defaulting Party **unless** the Defaulting Party immediately gives adequate assurance of the future **performance** of this **Agreement** by establishing an irrevocable letter of **credit** issued **by** an international bank acceptable to the Insecure **Party**, on **terms** and conditions acceptable to the Insecure **Party**, in an amount sufficient to cover all amounts potentially due from the Defaulting Party under this Agreement, which may be **drawn** upon **by** the Insecure Party if the **Defaulting Party** does *not* fulfill its obligations under this Agreement in a timely manner.
- B. If either carrier (the "Defaulting **Party**") fails to observe or perform any of its material **obligations** under this Agreement and if this failure **continues** for a period of **thirty (30) days** **after** written notice to the Defaulting **Party** thereof (except for any payments due, where the period to cure such non-payment will be five **[5]** days after notice) then, **without** prejudice to **any** other rights or remedies the other party may have, the **other** carrier may terminate this Agreement effective as of the **120th** day after the date of the aforementioned **written** notice.

13. POST-TERMINATION RIGHTS

Exercise by either carrier of **its** right to terminate under any provision of this Agreement will not affect or impair its right to enforce its other rights or remedies under this Agreement. All obligations and **rights** of each carrier that have accrued before **termination** or that are of a continuing nature will survive termination.

14. **NON-WAIVER**

Any previous waiver, forbearance, or course of dealing will not **affect** the right of either carrier **to** require strict performance of any provision of this Agreement.

15. **GENERAL INDEMNIFICATION AND INSURANCE**

- A. Except as otherwise provided **herein**, each carrier will indemnify and hold **harmless** the **other** Carrier, its directors, **officers**, employees, and **agents** ("**Indemnitees**") from all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys' fees, directly or indirectly incurred by the **Indemnitees** as the result of any claims that arise out of or in connection with the performance or failure of performance of the indemnifying **carrier's** obligations hereunder. In addition, each carrier will indemnify and hold harmless the other carrier, its directors, **officers**, employees, and agents **from** all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys' fees, directly or indirectly incurred by the **Indemnitees** as the **result** of any claims by third parties that arise out of or in connection with any **products** or services received from or supplied by the indemnifying carrier in connection with this Agreement.
- B. The air **carrier** that originates the customers travel (i.e. **provides** all boarding passes and checks the customers luggage to its **final** destination) will **ensure** that the customer is properly **documented** for **entry** into the destination **country** and **properly** documented for any transit points **enroute**. Any **finer**, penalties, deportation and detention expenses resulting from violations of government entry or **transit** requirements, even for passengers that willfully engage in illegal entry tactics, shall be the sole **responsibility** of the air carrier that originates, as defined above, the customers travel and such carrier will indemnify the other carrier pursuant to paragraph A of this Article 15.

- C. The indemnities set forth above in this Clause 15 shall not apply to the extent any situation is created or any liability, damages, losses, claims, suits, costs or expenses are caused or contributed to by an act or omission of any Indemnitee claiming the benefit of any such indemnity.
- D. Further to the indemnities set forth in this Clause, 15, the indemnifying Carrier at its own cost will defend all actions brought against it or any Indemnitee in respect to matters covered and embraced by any of those indemnities.
- E. (i) The Carrier operating the aircraft performing the code share flight ("the operating Carrier") will take out and maintain for the duration of this Agreement third party and passenger, baggage, mail and cargo liability insurance (including war and allied perils) in an amount not less than **US\$1** billion.
- (ii) The operating Carrier will be solely responsible for effecting hull all risks and hull war and allied perils insurance in respect of the aircraft operating the code share flight as it deems appropriate and will have its hull underwriters waive all rights of subrogation against the non-operating Carrier.

(iii) The insurances referred to in Clause IS E (i) and (ii) will:

- (a) be maintained in **effect** with insurers of recognized reputation as international aviation insurers (including captive insurance affiliates);
- (b) be amended to **name** the **Indemnitees** (but without imposing any liability on the **Indemnitees** to pay the premiums for such insurance) as additional **insureds** as their respective interests may appear;
- (c) provide that regarding the respective interests of the **Indemnitees** in such policies the **insurance** will not be invalidated by any action or inaction of the operating Carrier;
- (d) provide that if the **insurers** cancel such insurance for any reason whatsoever (other than due to lapse at **the** normal expiration date) or if any material change is made in such insurance which adversely affects the interests of any **Indemnitee**, non-operating Carrier will be provided with **30** days prior written notice of such cancellation or change; provided however that if any such notice period is not reasonably obtainable (such as war risk **insurance which** will be subject to seven calendar days prior **written** notice to non-operating Carrier) such policies will provide for as long a period of notice as will then be reasonably obtainable;
- (e) be primary without right of contribution including from any other **insurance** which is **carried** by **the** non-operating Carrier.
- (f) provide **that** provisions thereof, except for the limits of liability, will operate in the same manner as if **there were** a separate policy covering the non-operating Carrier: and

- (g) waive any subrogation rights **of the** insurers to the extent that the **non-operating** Carrier is entitled to indemnification under this Clause IS.
- (iv) ~~Each Carrier undertakes to advise the other of any claims, actions and proceedings that are~~ presented to or instituted against it in respect of matters to which **the** indemnity under **this** Clause **IS** is applicable and the Carriers will co-operate in the resolution, settlement or defense thereof.
- (v) The operating Carrier will file a **certificate** with the non-operating Carrier prior **to** the **performance** of any operations **pursuant** to this agreement and thereafter, upon its renewal of the insurances required of it hereunder, evidencing compliance with all the insurance obligations required of it in this Clause IS.
- (vi) If the operating Carrier subcontracts the operation of a flight **to** a third **party**, the operating Carrier's liability remains unaffected, and the operating Carrier will ensure that **a** similar indemnity clause to the one in this Clause IS and similar insurance **arrangements** with no less stringent conditions and complying in all respects with Clause IS E (iii) are included in the subcontract for the **benefit** of the non-operating Carrier.

(vii) **Notwithstanding** any **provision** above in this Clause **15**, the Carriers agree that in the event the **IATA intercarrier passenger liability** agreements known as **"IIA"** and **"MIA"** come into force or one or other of the parties amends its conditions of carriage to provide for a different level of liability to its passengers from that in force at the commencement of this Agreement they will review ~~the provisions of this clause to determine whether any amendment is required to~~ be made as a consequence of **either** of the aforementioned events.

16. EXCLUSION OF CONSEQUENTIAL DAMAGES

*NEITHER CARRIER **WILL BE LIABLE** FOR ANY **INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES**, INCLUDING LOST REVENUES, LOST PROFITS, OR LOST PROSPECTIVE ECONOMIC **ADVANTAGE**, WHETHER OR NOT FORESEEABLE AND WHETHER OR NOT BASED ON **CONTRACT**, TORT, WARRANTY CLAIMS OR OTHERWISE IN CONNECTION **WITH THIS AGREEMENT, AND/OR THE PRODUCTS** OR SERVICES PROVIDED HEREUNDER AND EACH CARRIER HEREBY RELEASES AND WAIVES ANY CLAIMS AGAINST THE OTHER CARRIER REGARDING SUCH DAMAGES*

17. NOTICES

Any notices required to be sent under this Agreement will be sent by first class mail, postage **prepaid**, facsimile transmission, or any more expedient **written** means

If to **NZ**, notices will be addressed as follows:

Air New Zealand Limited
Quay Tower, **29** Customs St. West
Private Bag **92007**
Auckland, **NZ**
Attn: General Manager - Sales and Marketing International
Fax: **649 366-2764**

If to **UA**, notices will be addressed as follows:

United Air Lines, Inc.
P.O. Box 66100
Chicago, Illinois **60666**
Attn: Senior Vice President - International
Fax: 01 847 700-7832

Notices sent via facsimile transmission will be effective immediately if received prior to 5:00 p.m. local time of the recipient. All other notices will be effective the **first** business day **after receipt**

18. GOVERNING LAW AND DISPUTE RESOLUTION

- A.** This Agreement and any dispute arising under or in connection with this Agreement, including any action in **tort**, will be governed by the internal laws of the State of Illinois, USA, excluding any choice of law rules which may direct the application of laws of any other jurisdiction.
- B.** The Carriers agree to use their best reasonable efforts to resolve by negotiation any dispute that may arise with respect to the **interpretation** or operation of this agreement

- C. Any dispute arising under this agreement that cannot be resolved by **negotiation** as provided in **18B** above will be submitted to arbitration in accordance with the **arbitration rules** of the International Chamber of Commerce.

19. **SEVERABILITY**

Each provision of this Agreement shall be valid and enforced to the furthest extent permitted by law. The invalidity or unenforceability of **any** provision of this Agreement shall not **effect** the **validity** or enforceability of any other provision.

20. **ASSIGNMENT**

- A. Neither **UA** nor **NZ** may assign or otherwise transfer any of its rights or obligations under this Agreement to any third party without the prior **written** consent of the other.
- B. Should for any reason **whatsoever** the **ownership** of either **UA** or **NZ** change such that an air carrier or **affiliate** of an air carrier acquires a twenty five percent (**25%**) or more **ownership interest** in either party, then within **thirty (30)** days of such **occurrence** either party may **request** renegotiation of this Agreement and, failing successful renegotiation within sixty (**60**) days of the request to renegotiate, either party may terminate this Agreement upon thirty (**30**) **days** notice to the other party

21. ENTIRE AGREEMENT

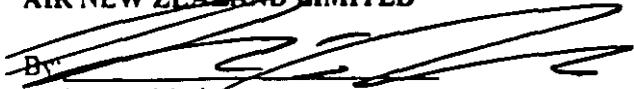
This Agreement, including any and all Attachments and the related Agreement and any other documents executed contemporaneously herewith, constitute the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, whether oral or written, express or implied, between the parties concerning the subject matter hereof. This Agreement may be modified only by further written agreement signed by all of the parties hereto.

22. EXISTING OBLIGATIONS

UA represents and warrants that the terms of this Agreement do not violate any existing obligations or contracts of UA. NZ represents and warrants that the terms of this Agreement do not violate any existing obligations of NZ. Each carrier shall defend, indemnify and hold the other harmless from and against any and all claims, demands or causes of action which are hereafter made or brought against it alleging any such violation.

IN WITNESS WHEREOF, the parties hereto have by their duly authorized officers executed this Agreement as of the dates set forth below.

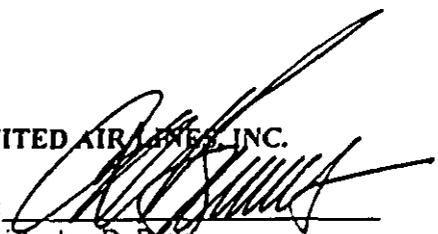
AIR NEW ZEALAND LIMITED

By: 
Anthony J. Marks

Title: General Manager • Sales & Marketing International

Date: 28/11/96

UNITED AIR LINES, INC.

By: 
Christopher D. Bowers

Title: Senior Vice President - International

Date: 11/27/96

DEPT.	NAME	INITIAL
LAW	D. WASSER	7/11/96
USING	1/5 HARRIS	1/11/96
	J. J. J.	1/11/96

ATTACHMENT I
PRODUCT FEATURES

A. **Automated One Stop Check-In**

(1) As such time as NZ and UA develop compatible EDIFACT systems and UA will implement fully automated One Stop Check-In, such check-in to include, but not be limited to, itineraries that include Code Sharing. Services rendered will include, but are not limited to:

- Seat Assignments
- Boarding Cards
- Frequent Flyer Credit
- **Through** Baggage Check-In and Security Clearance

for up to three segments under each carrier's designator code, for a maximum of six (6) segments (five connecting points). Segments under the "UA" designator code may include flights operated by UA Express carriers. The use of EDIFACT technology will be evaluated by technical representatives from each development staff.

NZ AND UA WILL COMPLETE A REVIEW OF THESE SERVICES AND ESTABLISH AN IMPLEMENTATION PLAN BY JANUARY 20, 1997.

Action:

NZ	Eric Driver	AKLCENZ	649 366-2729
UA	Jay Shirman	HDQKAUA	(847) 700-5984

(2) Should an interim product be required UA and NZ will devise a manually supported process to allow One Stop Check-In to facilitate code share for a limited number of flights and city pairs until a fully automated system-wide check-in can be provided.

TO BECOME **EFFECTIVE, IF NECESSARY**, ON THE FIRST DAY OF IMPLEMENTATION OF PHASE I FOR THE CITY PAIRS AS SET FORTH ON ATTACHMENT 1, PARAGRAPH A OF THE CODE SHARE AND REGULATORY COOPERATION AGREEMENT.

Action:

NZ	Lindsay Pitt-Stanley	AKLCVNZ	649 366-2735
UA	Jay Shirman	HDQKAUA	(847) 700-5984

B. Improved Connection Scheduling

- (1) Complete a review of all practical **NZ/UA** schedule **improvement** possibilities at Los Angeles, Auckland, and any **other mutually** agreed common gateways.
- (2) Establish a plan for ongoing, regularly scheduled review **to optimize future** schedule changes by **either** party.

Action:

NZ	Nigel Carty	AKLSPNZ	649366-2711
UA	Ian Bamber	HDQLUA	(847) 700-6039

C. Seamless Transfer Service

The carriers will evaluate and develop proactive procedures and identify **facilities to** be used to ensure expeditious check-in or **transfer** of passengers and baggage **between** the respective services at Los Angeles, Auckland, and other mutually agreed common gateways, with particular emphasis on code share flights. **The** service features to be evaluated for implementation will include:

- (1) Assisted transfers as required and practical.
- (2) **Distribution at** origin airport of **transit instructions/information** (maps, **FIDS**, etc.)
- (3) Security procedures to **support these** goals.

TO BE COMPLETED BY FEBRUARY 15, 1997 FOR IMPLEMENTATION ON FIRST DAY OF OPERATION OF PHASE I.

Action:

NZ	Lindsay Pin-Stanley	AKLCVNZ	649 366-2735
VA	Karen Loess	HDQCSUA	(847) 700-5393

ATTACHMENT 2

PRORATES

A. **Prorates**

On the basis of reciprocity and comity, NZ and UA will provide broader access to each other's system through the creation of a Special Prorate Agreement to support the overall program and to stimulate incremental traffic from UA to NZ, and NZ to UA. This will include special reciprocal protection for NZ or UA passengers on delayed, canceled or oversold flights with particular importance for code share flights.

TO BE COMPLETED FOR IMPLEMENTATION. AS MUTUALLY AGREED.
EFFECTIVE ON FIRST DAY OF OPERATION.

Action:

NZ	Io Foged	AKLQTNZ	649 366-2942
UA	Deborah Davis-Garrett	HDQNCUA	(847) 700-4392

B. **Group Procedures**

Procedures to be considered and discussed between Carriers with mutual agreement to formulate processes for the handling of group bookings.

Action:

NZ	Kevin Foster	AKLCNNZ	649 366-2830
UA	Caroline Barroso	HDQIMUA	847 700-6938

ATTACHMENT 3

ANCILLARY SERVICES

A. Frequent Flyer Program

NZ and UA will **implement** mutually beneficial programs to enhance NZ/UA passenger **loyalty** including: **handling** of Frequent Flyer **accrual information on NZ/UA code share flights and other flights as mutually agreed to provide consistency**. Accrual and **redemption levels are to be charged by each carrier for travel** by its Frequent Flyer members on code share **sectors** operated by the other.

IMPLEMENTATION PLAN, AS APPROPRIATE. INCLUDING AN INTERIM MANUAL PROCESS (IF NECESSARY) TO BE COMPLETED FOR IMPLEMENTATION BY THE FIRST DAY OF OPERATION OF PHASE I.

Action:

NZ Lincoln Barren AKLCSNZ 649 366-2604

UA Nancy Mountain HDQDXUA (847) 700-2225

B. Communication Plan

Create a **joint** plan to communicate, as mutually agreed, the **nature** and **extent** of the alliance to the media and employee groups of both carriers.

Action:

NZ David **Beatson** AKLDPNZ 649 366-2901

UA Joe Hopkins HDQPRUA (847) 700-5770

ATTACHMENT 4



A. Display Improvement

For internal displays, provide the capability to display **certain services** (i.e. connections between the Carriers' **flights** as well as connections between the Carrier's flights involving a code share segment) as **an on-line connection using the designated Carrier's code (UA or NZ)**.

For internal displays, **UA** will treat **UA*** flights equal to **UA** flights and **NZ** will treat **NZ*** flights equal to **NZ** flights.

Do not affect **the** "neutral" availability display of either the designated **Carrier** or the code share Carrier, over their individual segments.

TO BE COMPLETED BY OPEN FOR SALE DATE OF PHASE I.

Action:

NZ	Brenda Whitaker	AKLCKNZ	(649) 366-2842
UA	Jennifer Rust	HDQMIUA	(847) 700-5735

B. Quality Control

NZ and **UA** will each use its best, **commercially** reasonable **efforts to** ensure that the other party's flights, connect points, fares, and rules both on-line and between **NZ/UA** are included in each carrier's respective host and **affiliated CRS** system data base and **are** eligible for display subject to system constraints and applicable laws and regulations.

TO BE COMPLETED BY OPEN FOR SALE DATE OF PHASE L

Action:

NZ	Brenda Whitaker	AKLCKNZ	(649) 366-2842
UA	Annette Williams	HDQIMUA	(847) 700-4745

C. **Functionality Enhancement**

- (1) **NZ and UA** will each use its commercially reasonable efforts to ensure that the other's flights, connection **routings**, fares, and rules both on-line and between **NZ/UA** are included in **their** host and **affiliated CRS** system data base and are eligible for display subject to system **constraints** and applicable laws and regulations.

TO BE COMPLETED BY OPEN FOR SALE DATE OF PHASE I.

Action:

NZ Brenda Whitaker AKLCKNZ (649) 366-2842

UA Annette Williams HDQIMUA (847) 700-4745

D. **Preferential Selling/Reservation Sales**

NZ and UA will implement programs and incentives to motivate their key **NZ** and **UA** reservations personnel to **reciprocally** promote their code share products, on a "second to on-line" basis.

ONGOING PROCESS.

ATTACHMENT 5
OPERATIONAL PROGRAMS

A. Aircraft Security

All contemplated common **use of** facilities or handling are subject to the carriers establishing **an aircraft security program which satisfies both carriers' aircraft security requirements.**

In connection with the **emplaning** of passengers on the **Services**, the operating Carrier shall **utilize its own Security Program.** **In** executing its Security **Programs**, the operating Carrier may interview **passengers, x-ray baggage, and** perform such other functions as it may choose in its sole discretion. **UA and NZ agree** to co-operate in matters of security **procedures**, requirements and obligations at all points to, from, or through which the Services operate subject to any requisite regulatory authority approval.

TO BE COMPLETED TO FACILITATE CODE SHARE OPERATIONS.

Action:

NZ	Ross Anderson	AKLDSNZ	(649) 256-3914
UA	Rich Davis	HDQVSUA	(847) 700-5458

B. Ground Handling and Facility Sharing

UA and NZ will review and **implement**, as agreed, any opportunities to **ground** handle each other and review common **use of passenger and cargo** arrival and departure facilities at common gateways, as practicable, and to the extent **permitted** by local rules, regulations, and covenants. **This** will include all required passenger terminal facilities, airport **signage**, and roadway **signage**. Both carriers understand that this is a complicated **evaluation** and may require significant time to complete. If it becomes practicable to use common facilities at any common **airport** location, then it is agreed that the **parties** will **enter** into a **separate** written **agreement**.

Action:

NZ	Vince Dennehy	AKLCTNZ	(649) 366-2722
UA	Tony Palermo	HDQUSUA	(847) 700-3912

C. **Fuel Purchasing**

Carriers **will** evaluate joint fuel purchases at all international locations served by both carriers.

TO BE COMPLETED BY **MARCH 1, 1997.**

Action:

NZ	Simon McLay	AKLAFNZ	(649) 366-2610
UA	Hugh Ross	HDQILUA	(847) 700-6975

ATTACHMENT 6

FUTURE AREAS FOR COOPERATION/PRIMARY INTERFACE

The two carriers will tier evaluate the following **areas** to assess **the benefits** which might accrue from joint cooperation:

- (1) ~~Purchasing of third party services....~~
- (2) Other automation **opportunities**.
- (3) Establishment of regularly scheduled product review sessions with key **staff**.
- (4) Other areas for **concentration** on **cost** reductions.
- (5) Form Pacific Joint **Alliance Group** led by primary interface coordinator and other key individuals as **appropriate** to check **progress** and **strategic** goals of Alliance and to meet on a mutually agreed and regular basis.
- (6) Any other **areas as mutually agreed**.

Action:

NZ	Bruce Lahood	AKLCANZ	649 366-2833
UA	Jennifer Rust	HDQMIUA	(847) 700-5735

COST SAVINGS

The **two** carriers agree that cost savings **resulting from** the above cooperation may be significant for each other and **will agree to share such** cost **savings on a [J ,**

██████████ ██████████

There is a need for a model to calculate, monitor, and **share** the anticipated benefits of the anticipated **cooperative passenger** activities to **ensure that** both parties **are** able to participate in such incremental benefits fairly and equitably.

Action: Develop process and model to calculate **and** measure anticipated shared benefits of cost **savings**.

NZ	Bruce Lahood	AKLCANZ	649 366-2833
UA	Jennifer Rust	HDQMIUA	(847) 700-5735

AIR NEW ZEALAND I UNITED AIRLINES
CODE SHARE AND REGULATORY
COOPERATION AGREEMENT

November 27, 1996

This Agreement is made and entered into by and **between** UNITED AIR LINES, INC., with a principal place of business at 1200 East Algonquin Road, Elk Grove Township, Illinois USA 60007 (**hereinafter "UA" or the "Carrier"**) and AIR NEW ZEALAND LIMITED with a principal place of business at Quay Tower, 29 Customs Street West, Private Bag 92007 Auckland, New Zealand (**hereinafter "NZ" or the "Carrier"**).

1. INTRODUCTION

NZ and UA are entering into this Agreement in order to increase each Carrier's opportunities to offer competitive and cost effective air transportation services **between** points in the United States and Australia and New Zealand. Further, NZ and UA wish to improve the quality of the interline air transportation services they now offer so as to increase the use of those services by the traveling public and other customers. This Agreement establishes **binding** obligations between the parties, expresses the parties intentions, and sets forth a framework that provides the basis to accomplish these goals through subsequent Agreements and activities.

2. UNDERLYING OPERATIONAL CONCEPT

The parties will use a phased approach to develop and implement operational programs to create new value added passenger services and cost **efficiencies** by taking advantage of each Carrier's inherent service strengths.

3. OBJECTIVES OF THE NZ/UA RELATIONSHIP

Through development of the operational relationship contemplated by this Agreement, subject to any and all necessary governmental and regulatory approvals, NZ and UA intend to implement Code Sharing, as described in Attachment I, Sections A, B, and C.

This Agreement is not intended to and shall not restrict either Carrier's rights to pursue additional access between any points through either route acquisition or the normal government to government bilateral process. This Agreement is not intended and shall not restrict either Carrier's rights to exploit or market independently existing or additional routes or to determine the levels of fares and charges for any of its services, including the code share services under this Agreement. Further, nothing in this agreement confers or shall be interpreted to confer any rights of either Carrier to restrict the other Carrier's right or ability to maintain or charge such rates, tariffs, markets, services, marketing and distribution methods, competitive strategies, or to engage in full competition with each other and with airlines as it may decide in its absolute discretion.

4. **PROGRAMS**

The Carriers will develop and implement specific programs to support **the** objectives **defined** by **this** Agreement. The Attachments to **this** Agreement outline specific actions and **responsibilities** for implementing these programs. Each of **the** programs will be incorporated **into** an existing **NZ/UA** contract or a new contract, as necessary and appropriate. **In** summary, subject to any and all applicable **governmental** laws, rules, and **regulations**, these **programs** are:

- A. **CODE SHARE** (Attachments **1, IA, 1B** and **1C**)
Subject to all necessary governmental approvals and authorizations, the Carriers intend to develop operations which include using **UA's** code on **NZ** flights **and NZ's** code on **UA** flights between:

New Zealand **and the** United States
Australia and **the** United States
New Zealand and Australia
United States and Fiji, Tahiti, Western Samoa and the Cook Islands

as **more particularly** specified **in** Attachment I hereto ("Code Share"), **such** code sharing will **be** implemented after such government approvals and authorizations **are** obtained.

- B. **CODE SHARE EMERGENCY PROCEDURES** (Attachment **2**)
In the event of **an** incident **involving** a code share **flight**, both Carriers agree to exchange appropriate telephone numbers **to** which **the** marketing **Carrier** may refer customer/relative inquiries in the event of an emergency.

- C. **REGULATORY COOPERATION** (Attachment **3**)
The Carriers **will work** together to secure the underlying governmental **and** other approvals and authorizations necessary **to** implement **the arrangements** contemplated herein. **The** parties undertake to use their commercially reasonable best efforts to obtain such approvals and authorizations.

- D. **INTERLINE ARRANGEMENTS**

The code sharing Carrier will ensure that **the** operating Carrier's flights displayed under the code sharing **Carrier's** code will be offered by **the** code sharing Carrier on terms and conditions substantially similar to those **it** offers for its own services.

Inventory Management for Code Share Flights

The parties hereto understand and agree that this is **not** a guaranteed, blocked space Agreement. Accordingly, neither **UA** nor **NZ** is purchasing or guaranteeing the seats allocated to it by the other. Rather, the seats are allocated only for purposes of inventory management. **NZ** and **UA** each will be managing, marketing, and selling its allocation of seats on the shared-code flights under its own respective airline designator code. Therefore, both parties hereby agree to communicate as necessary **to** facilitate such an **arrangement**.

5. **TERM**

Subject to the provisions hereof, this Agreement, this Agreement will become effective **as** of December **2, 1996**, and will continue thereafter for **seven (7)** years. Unless otherwise terminated pursuant to this paragraph **or** paragraphs **12 or 20**, this Agreement may be terminated by either party at that party's election. without cause, upon three hundred and sixty **five (365)** days' prior written notice.

6. **COMPLIANCE WITH GOVERNMENT REQUIREMENTS**

UA and NZ each hereby represents and **warrants** that all air transportation services performed by it pursuant to this Agreement **or** otherwise will be conducted in **full** compliance with all applicable federal, state, and **local laws**, statutes, orders, **rules**, and regulations.

7. **NON-EXCLUSIVITY**

This Agreement is non-exclusive and does **not** preclude either UA or NZ **from** entering into **or** maintaining existing marketing relationships, including Code Sharing, with other Carriers. Notwithstanding the preceding sentence, this Agreement is exclusive (except as mutually agreed) as it relates to frequent flyer programs in the USA, airport **lounge** exchange privileges with any other US flag carrier, and for code share for itineraries involving segments between:

New Zealand and the United States
Australia and **the** United States

- a) with the exception of code share, frequent flyer, and airport lounge exchange privileges with **Ansett** Australia and.
- b) with the exception of UA's code share and frequent flyer agreements contracted with **Ansett** New Zealand.

8. **TRADEMARKS**

Neither Carrier will use any trademark, trade name, logo, or service mark of the other without the prior **written** consent of the other. All joint **advertising or** press releases relating to matters covered by this Agreement shall be reviewed and approved by both carriers.

9. **CONFIDENTIALITY**

- A. Except in any proceeding **to** enforce any of the provisions of this Agreement, neither **party** will, without the prior **written consent** of the other, use, publicize or disclose to any third party, either directly or indirectly, any of the following (hereinafter "**Confidential** Information"):
 - (1) this Agreement or any of the terms **or** conditions of this Agreement; **or**
 - (2) **any** confidential or proprietary information or data, either oral or **written**, received from and designated as such by the disclosing **Carrier**.
- B. If either Carrier is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information, then that Carrier, before complying, will immediately notify the non-disclosing Carrier and the non-disclosing Carrier shall have a reasonable period of time to **intervene** and contest disclosure or production.

- C. If a governmental authority requests either Carrier to produce or disclose to the authority **this** Agreement or any of the terms or conditions of **this** Agreement, such Carrier, at its option and after notifying the other Carrier, may produce or disclose the requested document or information. Neither party shall be in breach of this Agreement if compliance with this section would violate the laws, rules, or regulations of its government, provided, however, that such Carrier will endeavor to obtain confidential treatment of such documents or portions of such documents or information by the government authority if requested by the other Carrier.
- D. Upon termination of this Agreement, all Confidential Information, including any copies thereof made by the receiving party, must be returned to the disclosing Carrier.
- E. Nothing contained in **this** clause 9 shall prevent either Carrier from disclosing this Agreement to the attorneys or auditors or any other **person** from whom it requires advice on its obligations and rights hereunder.

10. FORCE MAJEURE

Neither Carrier will be liable for delays **or** failure in performance under this Agreement caused by acts of God, war, strikes, labor disputes, work stoppage, **fire**, acts of government or any other event beyond the control of that Carrier (**hereinafter** "Force **Majeure**") If a Carrier is prevented in whole or in part from carrying out its obligations under this **agreement** (other than an obligation to pay money) as a result of a Force **Majeure**, it will advise the other Carrier **accordingly**, and both Carriers will seek to use commercially reasonable **efforts** to remedy or abate **this** Force **Majeure** or otherwise work together to continue the relationship within the context of the Force **Majeure**. Following this advice, and while the Force **Majeure** continues, the obligations, which cannot be performed (other than an obligation to pay money) because of **the** Force **Majeure**, will be suspended.

11. NATURE OF RELATIONSHIP BETWEEN NZ AND UA

The relationship of the parties hereto is **that** of independent contractors. Nothing in this Agreement is intended to or shall be construed to create or establish any partnership or joint venture relationship between the Carriers.

12. TERMINATION FOR CAUSE

- A. If either Carrier (the "Defaulting Party") becomes insolvent; if the other Carrier (the "**Insecure** Party") has evidence that the Defaulting Party is not paying its bills when due without just cause; if the Defaulting Party takes any step toward its cessation **as** a going concern; or if the Defaulting Party either ceases or suspends operations for reasons other than a Force **Majeure**, then the Insecure Party may immediately terminate this Agreement on notice to **the** Defaulting Party unless the Defaulting Party immediately gives adequate assurance of the **future** performance of this Agreement by establishing an irrevocable letter of credit issued by a bank acceptable to the Insecure Party, on terms and conditions acceptable to the Insecure Party, in an amount **sufficient** to cover all amounts potentially due from the Defaulting Party under this Agreement, which may be drawn upon by the Insecure Party if the Defaulting Party does not fulfill its obligations under this Agreement in a timely manner.

- B. If either Carrier (the “Defaulting Party”) fails to observe or **perform** any of its material obligations under this Agreement **and** if this failure continues for a period of thirty **(30) days after** written notice to the Defaulting Party **thereof** (except for **any** payments due, where **the** period to cure such non-payment will be **five [5] days after** notice) then, without prejudice to any **other** rights or remedies the other party may **have**, the other Carrier may terminate **this** Agreement as of the expiration date of this notice period.

13. POST-TERMINATION

Exercise by either Carrier of its right to terminate under **any** provision of this Agreement will not affect **or** impair its right to enforce its other rights or remedies under this Agreement. All obligations and rights of each Carrier that have accrued before termination or **that are of a continuing** nature will survive termination.

14. NON-WAIVER

Any previous waiver, forbearance, or course of dealing will not affect the right of either Carrier to require strict performance of any provision of **this** Agreement.

15. GENERAL INDEMNIFICATION AND INSURANCE

- A. Except as otherwise provided **herein**, each Carrier will indemnify and hold harmless the other Carrier, its directors, **officers**, employees, and agents (“**Indemnitees**”) from all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys, fees, directly or indirectly incurred by **the Indemnitees** as the result of **any** claims **that** arise out of or in connection with the **performance** or failure of performance of **the** indemnifying Carrier’s obligations hereunder. In addition, each Carrier will indemnify and hold **harmless** the other Carrier, its directors, officers, employees, **and** agents from all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys’ fees, directly or indirectly incurred by the **Indemnitees** as the result of any claims by **third** parties that **arise** out of or in connection with **any** products or **services** received from or supplied by the indemnifying Carrier in connection with this Agreement,
- B. The air Carrier that originates **the customers** travel (i.e. provides all boarding passes and checks the customer luggage to his **final** destination) will ensure **that** the customer is properly documented for entry **into** the destination country and properly documented for any transit points en route. Any **fin**es, penalties, **deportation** and detention expenses resulting from violations of government entry or **transit** requirements, even for passengers that willfully engage in illegal entry tactics, shall be the sole responsibility of the air Carrier that originates, as **defined** above, the customer travel and such Carrier will indemnify the **other** Carrier pursuant to paragraph A of this Article 15.
- C. **The** indemnities set forth above **in** this Clause 15 shall not apply to the extent **any** situation is created or any liability, damages, losses, claims, suits, costs or expenses are caused or contributed to by an act or omission of any **Indemnitee** claiming the benefit of any such indemnity.
- D. Further to the indemnities set forth in this Clause 15, the indemnifying Carrier, at its **own** cost, will defend all actions brought against it or any **Indemnitee** in respect to matters covered and embraced by **any of those** indemnities.

- E. (i) The Carrier operating the **aircraft** performing **the** code share flight (“the operating **Carrier**”) will take out **and maintain** for **the** duration of **this** Agreement third party and passenger. baggage, mail **and** cargo liability **insurance (including war and allied perils)** in **an** amount not less than **US\$1 billion**.
- (ii) The operating Carrier will be solely responsible for effecting hull all risks and hull war **and** allied perils insurance in respect of the **aircraft** operating the code share flight **as** it deems appropriate and will have its hull **underwriters** waive all **rights** of subrogation against **the** non-operating Carrier.
- (iii) The **insurances** referred to **in Clause 15 E(i) and (ii)** will:
- (a) be maintained in effect with insurers of recognized reputation as international aviation insurers (including captive **insurance affiliates**);
 - (b) be amended to name the **Indemnitees** (but without imposing any liability **on the Indemnitees** to pay the premiums for *such insurance*) as additional **insureds** as **their** respective **interests** may **appear**;
 - (c) provide that regarding **the** respective interests of **the Indemnitees** in such policies the **insurance** will not be invalidated by any action or inaction of the operating Carrier;
 - (d) provide that if **the insurers** cancel such insurance for any reason whatsoever (**other than** due to lapse at **the normal** expiration date) or if any material change is made **in such insurance** which adversely **affects** the interests of **any Indemnitee**, non-operating Carrier will be provided **with 30** days prior **written** notice of such cancellation or change; provided however that if any such notice period is not reasonably obtainable (such as **war risk insurance** which will be subject to seven calendar days prior written notice to non-operating **Carrier**) such policies will provide for as long a period of notice as will then be reasonably obtainable;
 - (e) be primary without **right** of contribution including from any other insurance which is carried by the non-operating Carrier;
 - (f) provide that provisions thereof, except for **the limits** of liability, will operate in the same manner as if there were a separate policy covering the non-operating Carrier; **and**
 - (g) waive **any** subrogation rights of the insurers to the extent **that the** non-operating Carrier is entitled to indemnification under **this Clause 15**.
- (iv) Each Carrier undertakes to advise **the** other of **any** claims, actions and proceedings that are presented to or instituted against it **in** respect of matters to which **the** indemnity under this Clause 15 is applicable and the Carriers will co-operate in the resolution, settlement or defense thereof.
- (v) The operating Carrier will file a certificate with the non-operating Carrier **prior** to the **performance** of **any** operations pursuant to this agreement **and thereafter**, upon its renewal of the insurance required of it hereunder, evidencing compliance **with** all the **insurance** obligations required of it in this Clause 15.

(vi) If the operating Carrier **subcontracts** the operation of a flight to a third party, the operating Carrier's liability remains unaffected, and the operating **Carrier** will ensure that a similar indemnity clause to the **one** in this Clause 15 and similar insurance arrangements with no less stringent conditions and complying in all respects with Clause 15 E (iii) are included in the subcontract for the **benefit** of the non-operation Carrier.

(vii) **Notwithstanding any** provision above in this Clause 15, the Carriers agree that **in** the event the **IATA intercarrier passenger** liability agreements known as "**IIA**" and "**MIA**" come into force or one or other of the parties amends its conditions of carriage to provide for a different level of liability to its passengers **from** that in force at the commencement of this Agreement they will review the provisions of this clause to determine whether any amendment is required to be made as a consequence **of either** of the aforementioned events.

16. EXCLUSION OF CONSEQUENTIAL DAMAGES

*NEITHER CARRIER WILL BE **LIABLE** FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST REVENUES, LOST PROFITS, OR LOST PROSPECTIVE ECONOMIC ADVANTAGE, WHETHER OR NOT **FORESEEABLE** AND WHETHER OR NOT BASED ON CONTRACT, TORT, WARRANTY CLAIMS OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT AND/OR THE PRODUCTS OR SERVICES PROVIDED HEREUNDER, AND EACH CARRIER HEREBY RELEASES AND WAIVES ANY CLAIMS AGAINST THE OTHER CARRIER REGARDING SUCH **DAMAGES**.*

17. N O T I C E S

Any notices required to be sent under this Agreement will be sent by **first** class mail, postage prepaid, facsimile transmission, or **any** more expedient written means.

If to **NZ**, notices will be addressed as follows:

Air New Zealand Limited
Quay Tower, **29** Customs St. West
Private Bag **92007**
Auckland, **NZ**
Ah: General Manager - Sales and Marketing International
Fax: **649 366 2764**

If to **UA**, notices will be addressed as follows:

United Air Lines, Inc.
P.O. Box 66100
Chicago, Illinois **60666**
Attn: Senior Vice President - International
Fax: **01 847 700 7832**

Notices sent via facsimile transmission will be effective immediately if received prior to **5:00** p.m. (Monday through Friday) local time of the recipient, All other notices will be effective the first business day after receipt.

18. **GOVERNING LAW AND DISPUTE RESOLUTION**

- A. This Agreement and any dispute **arising** under or in connection with this **Agreement**, including any action in tort, will be governed by **the** internal laws of **the** State of Illinois, USA, excluding any choice of law rules which may **direct** the application of laws of any other jurisdiction **within** the United States.
- B. The Carriers agree to use their best reasonable efforts to resolve by negotiation any dispute that may arise **with** respect to the interpretation or operation of **this** agreement.
- C. Any dispute arising under **this** agreement **that** cannot be resolved by negotiation as provided in **18B** above **will** be submitted to **arbitration** in accordance **with the** arbitration rules of the International Chamber of Commerce.
- D. This Agreement may be modified only by **further** written agreement signed by all of the parties hereto.

19. **SEVERABILITY**

Each provision of this Agreement shall be valid and enforced to the **furthest** extent permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not effect the validity or enforceability of any other provision.

20. **ASSIGNMENT**

- A. Neither **UA** nor **NZ** may assign or otherwise transfer any of its rights or obligations under this Agreement to any third party without the prior written consent of the other.
- B. Should for any reason whatsoever the ownership of either **UA** or **NZ** **change** such that another air Carrier or **affiliate** of an air Carrier acquires a twenty **five** percent (**25%**) or more ownership interest in either **party**, then within thirty (**30**) days of such occurrence **either** party may request renegotiation of this Agreement and, **failing successful** renegotiation **within** sixty (**60**) days of the request to renegotiate, either party may **terminate this** Agreement **upon** thirty (**30**) days notice **to the** other party.

21. **EXISTING OBLIGATIONS**

UA represents and warrants that the terms of this Agreement do not violate any existing obligations or contracts of **UA**. **NZ** represents and warrants that the terms of this Agreement do not violate any existing obligations of **NZ**. Each Carrier shall defend, indemnify and hold the other harmless **from** and against any and **all** claims, demands or causes *of* action which are **hereafter** made or brought against it alleging any such violation.

IN WITNESS WHEREOF, the parties hereto have by their duly authorized officers executed this Agreement as of the dates set forth below.

AIR NEW ZEALAND LIMITED

UNITED AIR LINES, INC.

By: 

By: 

Name: Anthony J. Marks
Title: General Manager - Sales and Marketing international

Name: Christopher D. Bowers
Title: Senior Vice President - International

Date: 28/11/96

Date: 11/27/96

DET.	NAME	INITIAL
LEV	S. Hagan	SH 11/27/96
USING	B. Hagan	BH 11/27/96
	J. Kout	JK 11/27/96

ATTACHMENT I

CODE SHARING

A. Phase I Code Share Implementation

Subject to all necessary regulatory approvals, implementation of manual One Stop Check-In to initially support shared-code flights and completion of necessary operational support arrangements,

City pairs displayed as **UA***

City pairs displayed as **NZ***

NZ Operated Flights Between

UA Operated Flights Between

Auckland / Los Angeles
Sydney / Los Angeles
Auckland I Sydney
Auckland / Honolulu

Sydney/San Francisco
Sydney I Los Angeles
Auckland / Los Angeles
Los Angeles / San Francisco
Los Angeles I Chicago

B. Phase II Code Share Implementation

Subject to all necessary regulatory approvals, implementation of automated One Stop Check-In to support shared-code flights and completion of necessary operational support arrangements:

City pairs displayed as **UA***

City pairs displayed as **NZ***

NZ Operated Flight Between

UA operated Flights Between

Atlantic flights as mutually agreed
Mid Pacific flights as mutually agreed
Auckland / Melbourne
Auckland I Brisbane

Auckland / Melbourne
*additional domestic U.S. points as mutually agreed

C. Phase III Code Share Implementation

City pairs displayed as **UA***

City pairs displayed as **NZ***

NZ Operated Flights Between

UA Operated Flights Between

*additional city pairs as mutually agreed

*additional city pairs as mutually agreed

D. General Principles

1. The operating Carrier will have sole and exclusive responsibility for and control over, each and every aspect of the operation of its services, in each case, including but not limited to planning of flight itineraries and **routings**, dispatch, fueling, weight and balance, flight release, maintenance, flight operations, crew training and **performance**, labor relations and compliance with applicable **rules** and regulations.
2. Each Carrier will take all reasonable necessary measures to ensure that purchasers of code share services are made aware that the service is a code share flight operated by the operating Carrier. Without **limiting** that obligation, the parties will ensure **that in** all timetable publications and computer reservations systems and at check in locations, there is an appropriate notice advising passengers of the **non-operating** carrier that the code share services are operated by the operating carrier.
3. The operating Carrier will bear all expenses related to the operation of the **aircraft** on the code share services.
4. Engineering and operational **support** for the code share services, together with substitute **aircraft** of similar specification, as required, will be the responsibility of the operating Carrier.

E. A i r c r a f t

1. Notwithstanding any other provision of this Agreement, **the** operating Carrier has the right to substitute aircraft, or delay, or cancel a code share service due to unavailability of an **aircraft** or where otherwise operationally necessary **and** no alternative is available. When operationally possible such information will be made known to the other Carrier in advance.
2. It shall be the responsibility of the operating Carrier to notify the non-operating Carrier as soon as possible for the happening of any event which does or would be likely to delay or disrupt **any** code share service. Any arrangement entered into by either Carrier to alleviate or remedy delays or disruptions to the operation of a code share service, whether **actual** or anticipated, shall be notified to the other party and where reasonable possible, agreed between **the** operating Carrier and the non-operating Carrier before implementation thereof.
3. It shall be the responsibility of both **Carriers** to co-operate as fully as possible with a view to minimizing delay and inconvenience to passengers, minimizing the loss of revenue to both parties and **taking** all necessary action to ensure the operation **of the** code share service is performed expeditiously and in accordance with the **terms of this** Agreement.
4. In the event of disagreement between the **Carriers as** to what arrangements should be made to alleviate or remedy any delay or disruption to the operation of the code share service concerned, the **final** decision on such question shall be made by the operating Carrier.
5. Except **as** may be provided in this Agreement, neither Carrier shall be responsible to the other for any consequential or other losses which may have been incurred on account of delays or disruptions to the operation of a code share service.
6. The operating Carrier shall not be liable for, nor deemed to be in default hereunder, on account of failure to operate or delays in operating a code share service due to a Force **Majeure**.

7. In all cases of Force **Majeure**, the **operating** Carrier shall be responsible for all costs and expenses, in respect of passengers booked to be carried on the operating Carrier's services, **including**, but not limited to, cost of meals, accommodation and **transfers**.
8. In the event the operating Carrier is **unable** to provide an **aircraft** in time for a scheduled departure of a code share service for reasons **other than** a Force **Majeure**, the operating **Carrier** will be responsible for passenger costs and expenses limited to such accommodation, meals and transfers as is reasonably determined by the non-operating **Carrier** to be necessary until such time that the **operating** Carrier is able to provide **an** aircraft or until such time as alternative arrangements **are** made to **transport** passengers to the originally scheduled destination of the code share service.
9. If for any reason, the operating Carrier is required to divert a flight and discharges **the** non-operating Carrier's passengers at a point other than **the** originally scheduled destination of a code share service the operating **Carrier** may at its discretion:
 - i) subsequently provide carriage of such passengers **from the** point of diversion to the point of originally scheduled destination of the code share service, in which case all delay costs shall be borne by the operating Carrier or;
 - ii) the operating Carrier shall arrange the onward carriage of such passengers from the point of **diversion** to the original scheduled point of **destination**, on the services of another carrier at the operating Carrier's expense, assuming responsibility only for those passenger-related costs associated with the diversion **including** but not limited to transfers, accommodation and meals.
10. **In** the event of an emergency or **disaster Occurring in** respect of an **aircraft** operating a code share service, the emergency procedures of the operating Carrier shall be applied. The Carriers shall co-operate in such an event, and shall provide each **other** with message addresses as communication points for emergency or disaster information prior to the commencement **of the** code share services.
11. The operating Carrier's security procedures will apply. These will be no less stringent or comprehensive than those prescribed by the New Zealand Ministry of Transport and New Zealand Civil Aviation Authority.

F. Sales and Marketing

Each Carrier may maintain, and will be responsible for, the expense of its own sales and marketing offices wherever situated.

G. Ground Handling Procedures

1. The operating Carrier will provide the non-operating Carrier's passengers on the operating Carrier's services with customer and **inflight** service at least of the standard of the standard **that** is given to the operating Carrier's own passengers in the same class of service on the same flight.
2. Customer relations and complaint handling procedures will be agreed between the Carriers prior to the commencement of the code share services, or at such later date as is agreed by the Carriers.

OPEN FOR SALE DATE WILL BE AGREED BY THE CARRIERS NO LATER THAN DECEMBER 20, 1996. (OPEN FOR SALE DATE AND FIRST DAY OF OPERATION WILL BE SUBJECT TO REGULATORY APPROVALS). OPEN FOR SALE DATE OF FIRST DAY OF OPERATION FOR PHASE II WILL BE AS MUTUALLY DETERMINED BUT NO LATER THAN SIX (6) MONTHS AFTER IMPLEMENTATION OF PHASE I.

The city pairs listed in Sections A will be handled on a manual basis as outlined in Attachment IA.

The Carriers will:

Establish procedures and inventory **allocation** for code share as detailed on **Attachments 1, 2, and 3.**

TO BE COMPLETED BY DECEMBER 20, 1996.

Action:

NZ	Kevin Foster	AKLCNNZ	(649) 366-2830
UA	Caroline Barroso	HDQIMUA	(847) 700-6938

H. Code Share Schedule Operations

The Carriers will:

- (1) Establish dedicated flight numbers **range** for use by **NZ** and **UA** for use on code share flights as a fourth digit prefix.
- (2) Subject to the Carriers developing compatible capability, establish an automated transfer of flight schedule information between both Carriers to allow efficient loading by both of code share flights prior to **filing** with **OAG**.
- (3) Establish a communications procedure to advise the other of passenger **Reaccommodation** plans in the event of schedule changes involving a code share flight.

TO BE COMPLETED BY FEBRUARY 15, 1996.

Action:

NZ	Brenda Whitaker Kevin Foster	AKLCKNZ AKLCNNZ	649 366-2842 649 366-2830
UA	Dorothy Janousek John Schultz	HDQASUA HDQASUA	(847) 700-6987 (847) 700-6758

I. Interline Accounting

Establish all necessary accounting procedures, in accordance with applicable **IATA** or **ACH** guidelines, including sampling methodology, to facilitate settlement of all **UA/NZ** interline transportation, including code share.

TO BE COMPLETED BY THE OPEN FOR SALE DATE OF PHASE I.

Action:

NZ	Wayne McKeown	AKLARNZ	649 366-2634
UA	Dave Schaefer	HDQANUA	(708) 250-3538

ATTACHMENT 1A

BUSINESS REQUIREMENTS FOR MANUAL CODE SHARE

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1.0 OVERVIEW

Provide a **manually** supported method that will allow **NZ's code** to be reflected on certain **UA** flights and **UA's** code to be **reflected on** certain **NZ** flights. **This** will be an interim procedure until **NZ** and **UA** can implement a **fully** automated approach.

2.0 REQUIREMENTS

General Requirement

Support code share for the city pairs as set **forth** on Attachment 1, paragraph A

2.1 Availability

For internal displays, provide the capability to display certain services (i.e. connections **between** the Carriers' flights as well **as connections** between the Carrier's flights involving a code share segment) as an on-line **connection** using the designated Carrier's **code (UA or NZ)**.

For internal displays, **UA** will treat **UA*** flights equal to **UA** flights and **NZ** will treat **NZ*** flights equal to **NZ** flights.

Do not affect the "neutral" availability display of either the designated Carrier or the code share Carrier, **over** their individual segments,

2.2 **Booking/Ticketing/CRS Fees**

2.2.1 Sell

Provide support for segment sell on each Carriers' respective networks, including code share services, by line *number* from availability.

Provide support for the manual sell of each Carriers' respective networks, including code share services, using either the code share flight number or the base flight number.

Provide for any **CRS** booking fees related to transportation of a passenger to be paid, by segment, by the Carrier which actually operates the segment. **NZ** and **UA** will establish a **process** to ensure that all such fees are appropriately accounted for. The operating Carrier will be responsible for **CRS** fees at the level of participation of the marketing Carrier.

In this connection, the code share Carrier will be obligated to provide operating Carrier only the **CRS** vendor's invoice and the **CRS** vendor's generated microfiche or hard copy of bookings for flights of operating Carrier, and the operating Carrier must reimburse the code sharing Carrier based upon the data reflected in those documents without adjustment.

2.2.2 Advice / Disclaimer

Provide for **an** advice/disclaimer to accompany a sale of a code share flight identifying the Carrier operating the **flight**. The advice/disclaimer must be distributed to **CRS's** and to schedule dissemination services such as the **Official** Airline Guide (**OAG**).

2.2.3 Group Handling

Procedures to be considered and discussed between carriers **with** mutual agreement to **formulate** processes for the **handling** of group bookings.

2.2.4 Teletype (TTY)

Status quo procedures will prevail for teletype processing for **UA** or **NZ** designated flights.

2.2.5 Customer Inquiries

Procedures will be established through the reservations groups to be able to identify where a **PNR** exists and be able to direct the customer appropriately.

2.3 Inventory Maintenance

2.3.1 **Inventory** Control

The Carriers will develop a method for inventory control on each code share flight to/from the designated cities and will maintain control of that inventory. The marketing Carrier will create a pseudo flight with the appropriate inventory. The yield management groups of both Carriers will determine the following:

- A method of managing inventory allocations on code share flights.
- **Actual** allocation of agreed number of seats by cabin.
- Close off and **transfer** of **PNRs**, at a minimum **24** hours prior to departure of shared-code flights.
- Determination of class of service and class of service equivalency.
- A communications procedure to allow ad hoc inventory changes and to ensure that unused inventory is released or transferred.

2.3.2 Link Sells

Allow a code share flight to be sold from an availability display based on information provided to another Carrier.

2.4 Through Check In

Provide the capability to through-check customers to each Carrier including, but not **limited** to: baggage acceptance and tagging to **final** destination, documentation checks and associated procedures related to immigrations processing, seat assignment and **boarding** pass issuance, security related procedures as **applicable**, and frequent traveler program **processing**.

2.5 Schedule Maintenance

2.5.1 Schedule Dissemination

Each operating Carrier will provide advance schedule notification to the designated Carrier. Upon development of a compatible capability, Carriers will provide schedule notification in the form of an automated **SSIM** format hand-off when possible, for all Code Shared **Flights**.

2.5.2 Passenger **Reaccommodation**

Reaccommodations will be worked through close coordination between **the** reservations groups of the **two** Carriers.

2.5.3 Flight Information

Flight **Information** Procedures and responsibility will be updated in each Carrier's systems. Automated solutions should be discussed and agreed to by the parties.

2.6 Accounting Systems

Accounting based on billing is currently handled on a manual basis and does not create **any** new issues. Any special prorates must be communicated to accounting to ensure proper billing.

2.7 Frequent Flyer

Procedures for providing accrual/redemption will be established by respective Frequent Flyer organizations. It is agreed by the Carriers that the operating Carrier will determine which flights and level of capacity which is made available for redemption of award travel.

3.0 HARDWARE

Each Carrier will provide and pay, upon mutual agreement, for **installation** and maintenance of **computer** equipment necessary for the other to support code share operations. This equipment may include, but is not limited to check-in terminals, boarding pass printers and bag tag printers. Any monthly charges associate with such equipment will be paid by the Carrier supplying said equipment.

Upon termination of code share operations, for any reason, the parties will **return** any **equipment** owned by the other party.

ATTACHMENT 2

CODE SHARE EMERGENCY PROCEDURES

In order to properly prepare and plan coordinated communications efforts between the Parties in the event of an emergency, as defined below, involving a Code Share Flight, both Parties will (i) exchange and update the appropriate telephone numbers and SITA addresses of the operating Carrier to which the Code Share Carrier may refer customer/relative inquiries in the event of an emergency and (ii) discuss any other necessary coordinated emergency response procedures. Although each situation must be evaluated on its own merit, common sense must prevail as a guide for all Parties to follow.

Definitions:

- **Emergency**

Any occurrence involving a Code Share Flight that results in injury or death, has the potential for injury or death to any person or the loss or damage or the potential for loss or damage to private, public, or Code Share Carrier property.

- **Aircraft Accident**

An occurrence associated with the operation of an aircraft, which takes place between the time the Captain has released the parking brake for pushback or taxi and has set the parking brake and all checklists are complete, in which any person who has boarded the aircraft with the intention of flight suffers death or serious injury or in which an aircraft receives substantial damage.

- **Hijacking (Air Piracy)**

Any seizure or exercise of control by force or violence, or threat of force or violence, and with wrongful intent of an aircraft in air commerce.

- **Red Alert**

The classification for a situation where a major problem exists that may result in an accident as defined above. Examples include landing gear failure to extend, tire in flight, or other aircraft damage that will likely require outside agencies such as police, fire, ambulances, and physicians to respond.

Both Carriers agree to comply with the relevant requirements of a government agency having jurisdiction in respect of an Emergency, Aircraft Accident, Hijacking, or Red Alert.

Appropriate UAL phone numbers in the event of an emergency as described above.

UAL Shift Manager (24 hours)

847 700-6295

(Phone)

847 700-2005

(FAX)

HDQOP/A

(SITA)

Appropriate NZ phone numbers in the event of an emergency as described above.

NZ Shift Manager (24 hours) - Logistics (International)

649 366 2512

(Phone)

649 366 2512

(FAX)

AKLWWTZ

(SITA)

Any change to the above referenced phone numbers or contacts is to be communicated to the Code Share Carrier with a request for a confirming Telex back to the originator to acknowledge receipt.

ATTACHMENT 3

REGULATORY COOPERATION

NZ and UA will undertake, jointly or individually, as necessary, to secure all necessary approvals, including but not limited to, exemptions, licenses, ~~permits~~, statements of **authorization** and other forms of authority **from** relevant governmental authorities **necessary** to effectuate the contemplated code **share** operations.

TO BE COMPLETED TO ALLOW OPEN FOR SALE. THIS DATE WILL BE ESTABLISHED BY DECEMBER **20, 1996**.

Action:

NZ	Graeme McDowall	AKLZCNZ	(649) 366-2605
UA	Michael Whitaker	HDQIZUA	(847) 700-3955

ATTACHMENT 4
PRIMARY INTERFACE

NZ

Bruce **Lahood**
Commercial Alliances Manager

AKLCANZ

649 366-2833 (Phone)
649 366-2471 (Facsimile)

UA

Jennifer L. Rust
Manager Industry Marketing & Alliances
Pacific & India

HDQMIUA

(847) 700-5735 (Phone)
(847) 700-7691 (Facsimile)

Amendment to **United/Air New Zealand**
Cooperation Agreement

THIS AMENDMENT AGREEMENT is made January 6, 1998

BETWEEN **UNITED AIR LINES, INC.**, with a principal place of business at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007 (hereinafter "UA")

AND **AIR NEW ZEALAND LIMITED**, with a principal place of business at Level 2 1 Quay Tower, Private Bag, Auckland I New Zealand (hereinafter "NZ")

The November 27, 1996 Cooperation Agreement between **NZ** and **UA** is hereby amended such that **NZ** and **UA** may comply with the Civil Aviation Authority of New Zealand policy on aviation security in relation to code sham air transport passengers services.

Security

The parties shall cooperate in matters of security procedures, requirements and obligations at all airports served by the code share flights. Nevertheless, subject to any proposed mutually agreed requirements of the Participating carrier (also referred to as the Marketing carrier) for the implementation of any reasonable additional security measures, the operating carrier may apply the provisions of its own security programs to the carriage of all passengers, baggage and cargo on board the code sham flights. Such provisions may include any then applicable procedures used for the screening of passengers, baggage or cargo, interviewing of passengers and selective loading of baggage or cargo.

Except as set forth above, the Cooperation Agreement, as amended from time to time, shall remain in full force and effect.

UNITED AIR LINES, INC.

BY: Bruce Hansen

TITLE: Director Alliances

DATE: 27 February 1998

AIR NEW ZEALAND LIMITED

BY: [Signature]

TITLE: Alliances Manager

DATE: 20 January 1998

DEPT.	NAME	INITIAL
LAW	Shaw	SS 2/10/98
USING	J. Rust	JR 2/27/98
SEC	R. Davis	RD 2/20/98
CS	C. Sechler	MS 2/23/98

**INTERNATIONAL PASSENGER
SPECIAL PRORATE AGREEMENT**

AGREEMENT, **effective** the **15** day of **May, 1997**, by and **between UNITED AIR LINES, INC.**, a Delaware corporation **with offices** at **1200 E. Algonquin Road, Elk Grove Township, Illinois ("United")**, and **Air New Zealand**, an airline of New Zealand **with offices** at **Quay Tower, 29 Customs Street West Private Baa 92007 Auckland 1, New Zealand ("Carrier")**

1. **Introduction:** United and Carrier each provide air **transportation services** to the public. When **passengers** traveling on a single **itinerary** are **carried part** way by United and **part** way by Carrier, and both **United** and Carrier participate in the fare **paid** (hereafter "Interline Travel"). **United** and **Carrier** will **prorate the transportation charge** for such Interline Travel in accordance with applicable published tariffs and procedures and the terms and **conditions** of this Agreement.
2. **Interline Coupons:** This Agreement governs only those passenger flight coupons **that** are both:
 - (i) Issued on **the** ticket **stock** of or **the** validating **carrier** being **either** United or Carrier, and
 - (ii) regular 'good for passage' **flight** coupons **utilized** for travel and billed **pursuant** to **the terms** and conditions of **the Multilateral Prorate Agreement ("MPA")**, including **provisos** and **requirements** thereof, and **the Revenue Accounting Manual**.

Such flight coupons are hereafter **referred to** as 'Interline **Coupons.**' The fare shown on each Interline Coupon is hereafter referred to as **"Interline Revenue."**
3. **Proration of Interline Revenue:** **United** and Carrier **will** prorate the Interline Revenue **from** those **miles** or **segments** specified in **Attachment(s) A-F** whether or not the **Interline** Travel includes **other** carriers or segments. In accordance with **Attachment(s) A-F**, Revenue **from Interline** Travel involving other air **carriers**, **miles**, or **segments not** specified on **Attachment(s) A-F**, will be **prorated** in accordance with the **provisions** of the agreement applicable **thereto**, if any, or else with the **provisions** of the **M.P.A. Tickets** Issued by either **party** for **travel** on another air carrier over a **segment** specified in **Attachment(s) A-F**, and **subsequently lifted** by **the other party** hereto, will be prorated in accordance with **this** Agreement.
4. **Settlement:** **Interline** Coupons will be **collected** by United and Carrier and presented for **payment** through **the IATA Clearing House**. **Accounting settlement** and **payment** of **Interline** Revenue will be in accordance with **the** applicable procedures of **the IATA Clearing House**, including adjustments for applicable Interline service charges, **UATP contractor** discount, and **children's** and **Infant's** **discounts**, unless stated otherwise in **the attachment** to **this** agreement.
5. **Term:** This Agreement applies to **Interline** Coupons Issued **after** **May 14, 1997**, and through **May 14, 1998**. This Agreement may be **terminated** by either **party** at any **time** for convenience upon **30** days prior **written notice** to **the other party**. Unless **otherwise specified** in **Attachment(s) A-F**, **this Agreement** governs **Interline** Coupons **issued** prior to **expiration** or **earlier termination** (hereof).
6. **Force Majeure/Delay:** **Neither** party will be responsible for delays in performance caused by **acts** of God or governmental **authority**, **civil disorder** or unrest, strikes or labor disputes, or any other cause beyond **the reasonable** control of that **party**.

OFFICE OF THE ATTORNEY GENERAL
7 APR - 8 PM 3:01
STATE OF ILLINOIS
DEPARTMENT OF REVENUE

7. **Indemnification:** Each party (the "Indemnitor") will indemnify the other party, its officers, employees, and agents (collectively "Indemnitee(s)") against and hold each Indemnitee harmless from all claims, suits, judgments, losses, damages, or costs (including reasonable attorneys' fees and expenses) incurred by any Indemnitee as a result of claims by third parties regarding: (a) Injury to or death of any person or damage to or destruction of any property resulting from the negligence of the Indemnitor or its officers, employees, or agents in performing under this Agreement, except to the extent caused by the negligence of any Indemnitee; or (b) the violation by the Indemnitor of any local, state, or federal law, order, regulation, or rule applicable to this Agreement or to the parties' performance hereunder.
8. **Termination:**
- A. If either party (the "Defaulting Party") fails to perform any of its duties or obligations under this Agreement, and that failure continues for ten days after written notice of such default from the other party, then this Agreement will terminate as of the expiration date of such notice period, without prejudice to any other rights or remedies the other party may have.
- B. If either party (the "Defaulting Party") becomes insolvent; if the other party (the "Insecure Party") has evidence that the Defaulting Party is not paying its bills when due without just cause; if a receiver of the Defaulting Party's assets is appointed; if the Defaulting Party takes any step leading to its cessation as a going concern; or if the Defaulting Party either ceases or suspends operations for reasons other than a strike, then the Insecure Party may immediately terminate this Agreement on written notice to the Defaulting Party unless the Defaulting Party immediately gives adequate assurance, satisfactory to the Insecure Party, of the future performance of this Agreement. If bankruptcy proceedings are commenced with respect to the Defaulting Party and if this Agreement has not otherwise terminated, then the Insecure Party may suspend all further performance of this Agreement until the Defaulting Party assumes or rejects this Agreement pursuant to §365 of the Bankruptcy Code or any similar or successor provision. Any such suspension of further performance by the Insecure Party pending the Defaulting Party's assumption or rejection will not be a breach of this Agreement and will not affect the Insecure Party's right to pursue or enforce any of its rights under this Agreement or otherwise.
- C. If any material provision of this Agreement is declared invalid by operation of law, this Agreement will terminate ten days thereafter unless otherwise agreed in writing by the parties.
9. **Waiver:** No waiver by either party of any default or breach by the other party of any provision of this Agreement will operate as or be deemed a waiver of any subsequent default or breach.
10. **Confidential Information:** Except in any proceeding to enforce the provisions of this Agreement, neither Party will disclose to any third party the financial terms of this Agreement, the terms contained in Attachment(s) A-E, or any other confidential information of the other party, including orders, forecasts, financial or marketing plans or data, or any data processing programs or procedures.
11. **Assignment:** If either party is merged with or acquired by another entity, the other party may terminate this Agreement without further notice. This Agreement may not be assigned or transferred in whole or in part, and any such assignment will be void and of no effect.
12. **Relationship of The Parties:** Nothing herein is intended or will be construed to establish any agency, partnership, or joint venture relationship between the parties.

13. **Notices:** Notices under the terms of this Agreement will be in writing and sent by prepaid certified mail, return receipt requested, or by telegram or telex, to the following addresses:

to United: United Air Lines, Inc.- WHQNCUA
P.O. Box 66100
Chicago, Illinois 60666
Sita: WHQNCUA
Attn: Director of Interline Programs

to Carrier: Air New Zealand
Quay Tower, 29 Customs Street West
Private Bag 92007, Auckland 1, New Zealand
Sita: AKLCANZ
Attn: Commercial Alliances Manager Market Development

Notices will be effective on the first business day following receipt thereof. Notices sent by certified mail will be deemed received on the date of delivery as indicated on the return receipt; notices sent by telegram or telex will be deemed received on the date transmitted.

14. **Amendments:** This Agreement may be changed, modified, or amended from time to time only by express written agreement of the parties executed by their authorized representatives.

15. **Entirety of Agreement:** This Agreement supersedes all prior oral or written representations or communications between the parties and, together with its Attachment(s) A-F, constitutes the entire understanding of the parties, regarding the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties have agreed to and executed this Agreement by their authorized representatives on this ___ day of _____, 199__.

AIR NEW ZEALAND

UNITED AIRLINES, INC.

By: _____

By: _____

Title: _____

Thomas M. Hartley
Title: Director - Interline Programs

FARE TYPES:

Transpacific full and special fares.
Special fares are defined as any fare type other than First Class, Business Class, Normal Economy, Visit USA (both flat rate and point to point), Round-the-World, Military, Travel Industry/Reduced Rates and Seaman Discount Fares.

MARKETS:

All Air New Zealand markets within New Zealand.

TICKETING

UA (016) & NZ (086) only.

PRORATION:

For First and Business fares: Air New Zealand shall receive [REDACTED] of their full Y fare.

For Economy and Special fares: Air New Zealand shall receive [REDACTED] of their full Y fare.

Percentages shown in this agreement will be applied to Proviso/Requirement Base Amounts in the Prorate Manual Passenger (PMP). When amounts are not shown in the PMP, the data may be taken from PIPPS.

COMMISSION:

Interline Service Charge is applicable.

GENERAL:

Not applicable to United flight numbers 3000 or higher.

FARE TYPES:

Transpacific special fares

Special fares are defined as any fare type other than First Class, Business Class, Normal Economy, Visit USA (both flat rate and point to point), Round-the-World, Military, Travel Industry/Reduced Rates and Seaman Discount Fares.

MARKETS:

All Air New Zealand and United Airlines Trans Tasman routings.

TICKETING

UA (016) & NZ (086) only.

PRORATION:

For point of sale New Zealand and travel to Australia, face value less [REDACTED]

For point of sale Australia and travel to New Zealand, face value less [REDACTED]

COMMISSION:

Interline Service Charge is not applicable.

GENERAL:

Not applicable to United flight numbers 3000 or higher.

FARE TYPES:

United Airlines special fares.
 Air New Zealand special fares.
 Special fares are defined as any fare type other than First Class, Business Class, Normal Economy, Visit USA (both flat rate and point to point), Round-the-World, Military, Travel Industry/Reduced Rates and Seaman Discount Fares.

MARKETS:

All markets served by each carrier within and between the countries listed below.

TICKETING

UA (016) & NZ (086) only.

PRORATION:

<u>Point of Sale</u>	<u>Destination</u>	<u>Proration</u>
Australia & NZ	USA	SRP less [REDACTED]
New Zealand/SWP	USA	SRP less [REDACTED]
USA	New Zealand/SWP/ Australia	SRP l e s s -
New Zealand/ Australia	Other	SRP less [REDACTED]
Other	New Zealand/SWP/ Australia	SRP less [REDACTED]

In the event special fare travel includes either **Trans** Tasman sectors and/or domestic sectors within the USA and/or domestic sectors within New Zealand, the following prorate requirements will be honored:

The New Zealand domestic sector(s) shall be settled in accordance with Attachment A. The residual will be straight rated over the remaining sectors with a minimum net of [REDACTED] for **Trans** Tasman sectors and a minimum of [REDACTED] for each U.S. Domestic sector.

COMMISSION:

Interline Service Charge is not applicable.

GENERAL:

Not applicable to United flight numbers 3000 or higher.

FARE TYPES:

United Airlines full fares.
Air New Zealand full fares.

MARKETS:

All markets served by each carrier within and between the countries listed below.

TICKETING

UA (016) & NZ (086) only.

PRORATION:

<u>Point of Sale</u>	<u>Destination</u>	<u>Proration</u>
Australia	USA	MPA less [REDACTED]
New Zealand/SWP	USA	MPA less [REDACTED]
USA	New Zealand/SWP/ Australia	MPA less [REDACTED]
New Zealand/ Australia	Other	MPA less [REDACTED]
Other	New Zealand/SWP/ Australia	MPA less [REDACTED]

In the event full fare travel includes either **Trans** Tasman sectors and/or domestic sectors within the USA and/or domestic sectors within New Zealand, the following prorate requirements will be honored:

The New Zealand domestic **sector(s)** shall be settled in accordance with Attachment A. The residual will be prorated over the remaining sectors according to the terms outlined above.

COMMISSION:

Interline Service Charge is not applicable.

GENERAL:

Not applicable to United flight numbers 3000 or higher.

OFFLINE DISTRIBUTION FEES:

Applicable if one way or roundtrip travel is ticketed by one party and service is provided entirely by the other party. The operating carrier will receive the passenger fare minus the applicable distribution fee listed below.

<u>Point of Sale</u>	<u>Destination</u>	<u>Fare Type</u>	<u>Proration</u>
Australia	USA	Special	[REDACTED]
New Zealand/SWP	USA	Special	[REDACTED]
USA	New Zealand/SWP/ Australia	Special	[REDACTED]
New Zealand/ Australia	Other	Special	[REDACTED]
Other	New Zealand/SWP/ Australia	Special	[REDACTED]
Australia	USA	Full	[REDACTED]
New Zealand/SWP	USA	Full	[REDACTED]
USA	New Zealand/SWP/ Australia	Full	[REDACTED]
New Zealand/ Australia	Other	Full	[REDACTED]
Other	New Zealand/SWP/ Australia	Full	[REDACTED]

TICKETING

UA (016) & NZ (086) only.

COMMISSION:

Interline Service Charge is not applicable.

GENERAL:

Not applicable to United flight numbers 3000 or higher.

MISCELLANEOUS ADMINISTRATION PROVISION

- 1) Each party will independently establish its fares and rates for flights offered to the traveling public under its airline designator code, in accordance with applicable law.
- 2) It is the intent of both parties of this agreement to comply with all conditions of the tariffs concerned. However, it is recognized that from time to time ticketing/booking errors may occur. In such cases the parties agree to prorate such tickets in accordance with the relevant Attachment to this agreement without dispute.
- 3) The proration terms outlined in this agreement apply only to United Airline flights with the flight designator UA1 through UA2999.
- 4) The proration terms outlined in this agreement apply only to Air New Zealand flights with the flight designator NZ (To be determined) through NZ (To be determined).
- 5) Both parties agree to revisit the prorate amounts stated within this document no later than six months after the launch of our joint code share service in order to confirm the accuracy of the prorates in relation to the marketplace.
- 6) Passenger Fare: For the purpose of this section, "Passenger Fare" shall mean the fare charged to the passenger, except that if a Code Shared Flight is ticketed under the airline code of the Code Sharing carrier at a fare which is less than the lowest fare that is valid for interlining between the Parties on that flight for the fare category for which the ticket was issued ("Interlineable Fare"), than the Passenger Fare for the entire itinerary that includes the Code Shared Flight shall be deemed to be the lowest Interlineable fare for the relevant fare category. The Interlineable Fare shall be determined by reference to the tariff filings made by the Parties with the relevant governmental authorities except as follows:
 - a. Either Party may propose, by telex in form to be mutually agreed by the Parties, that the other Party accept a prorate concession or fare lower than the lowest Interlineable Fare in any fare category on specific origin-destination markets. The other party shall be obligated to accept or reject any such proposal by telex in form to be mutually agreed by the Parties, by the end of the next business day of the receiving party's head-office. If the proposal is accepted or no timely response is given, the amount proposed shall be treated

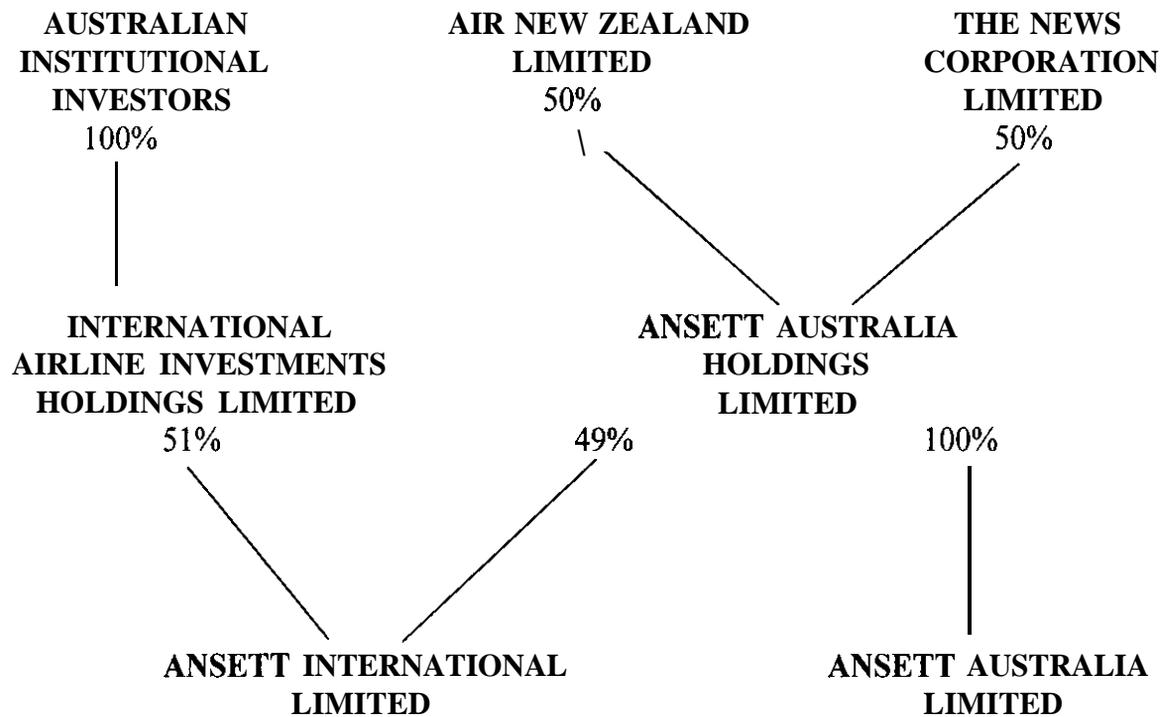
as the prorate concession or fare for the new interlineable fare. The Parties shall attempt to implement these procedures as efficiently as possible to ensure timely and competitive fare offerings so as to maximize the strength of the Alliance.

- b. Any fare offered by one Party in a specific origin-destination market shall qualify as an Interlineable Fare if offered by the other Party acting as the Code Sharing Carrier in the same origin-destination market.
- c. The parties listed below should be addressed in the telex.

AKLCANZ-Bruce LaHood
AKLARNZ-A. McCurdie

WHQTFUA-Conrad Terry
HDQNCUA-Stephen Boeddinghaus
HDQANUA-Arlene Lubarsky

**OWNERSHIP STRUCTURE OF
ANSETT COMPANIES**



THIRD-PARTY CODE-SHARE RELATIONSHIPS

In addition to code sharing with each other, United and Air New Zealand participate in other code-share relationships, including United's code shares with Air New Zealand's affiliates, **Ansett** and **Kendell**, to interior points in Australia, and United's recently approved code share with AIL on United's transpacific services. United's and Air New Zealand's worldwide code-share relationships are detailed in this exhibit.

Air New Zealand

Air New Zealand currently code shares extensively with **Ansett** between Australia and New Zealand, and on routes within Australia. Air New Zealand also code shares with Singapore Airlines to points within Southeast Asia and beyond to Europe. Air New Zealand code shares with AIL on Air New Zealand's transpacific services. Air New Zealand also code shares internationally with the carriers and on the routes identified below.

Air New Zealand, **Ansett**, AIL and Singapore coordinate various aspects of their operations under the terms of an alliance agreement entered into between the carriers in December of 1997, which, as discussed below, was approved by the Australian Competition and Consumer Commission ("ACCC"). The alliance agreement is designed to facilitate broad commercial cooperation among the carriers on matters such as scheduling, code sharing, and service offerings on international routes linking Singapore and New Zealand, Australia and Southeast Asia, and Australia and New Zealand, and on domestic routes within Australia and New Zealand, as well as on routes beyond Australia, New Zealand and Singapore. The parties also coordinate pricing on international routes linking Australia and New Zealand to points in Singapore and Southeast Asia. Air New Zealand and **Ansett** code share between Australia and New Zealand, and to the United States from Australia, and Air New Zealand also code shares on **Ansett's** intra-Australia services.

In July of 1998, the ACCC approved their alliance agreement, finding that the alliance was likely to benefit the public because it would, among other things, increase competition, particularly with the **Qantas/British Airways** Group; permit more efficient use of resources and eliminate duplication; assist in the development of AIL as a second, strong Australian international carrier; and improve customer service through better integration of connecting schedules, a more seamless travel product, wider access to lounges, and greater ability to earn frequent-flyer benefits.

AIR NEW ZEALAND CODE-SHARE OPERATIONS

<u>Partner</u>	<u>Route (non directional)</u>	<u>Operating Carrier</u>
Air Canada	Auckland-Honolulu	NZ
	Honolulu-Vancouver	AC
	Los Angeles-Toronto	AC
Ansett Australia	Intra-Australia	AN
	Australia-New Zealand	NZ
Lufthansa	Singapore-Frankfurt	LH
	Singapore-Christchurch	NZ
	Frankfurt-Los Angeles	LH
	Frankfurt-Brussels	LH
	Frankfurt-Hamburg	LH
	Frankfurt-Munich	LH
	Frankfurt-Dusseldorf	LH
	Frankfurt-Tegel(Berlin)	LH
	Auckland-Frankfurt	NZ
	Auckland-Los Angeles	NZ
	Frankfurt-Vienna	LH
Singapore Airlines	Auckland-Singapore	SQ and NZ
	Christchurch-Singapore	SQ and NZ
British Midland	London-Manchester	BD
	London-Belfast	BD
	London-Leeds Bradford	BD
	London-Teeside	BD
	London-Edinburgh	BD
	London-Glasgow	BD

	London-Brussels	BD
	London-Dublin	BD
	London-Amsterdam	BD
EVA Airways	Taipei-Brisbane	BR
	Auckland-Taipei	NZ
Japan Airlines	Auckland-Narita	NZ
	Narita-Christchurch- Auckland	NZ
	Osaka-Auckland	NZ
	Osaka-Christchurch- Auckland	NZ
Mandarin Airlines	Auckland-Taipei	NZ
Mexicana	Auckland-Los Angeles	NZ
	Los Angeles-Mexico City	MX
	Los Angeles-Guadalajara	MX
Polar Air Cargo	U.S.-New Zealand/ Australia/South Pacific	PO
Royal Tongan	Auckland-Tongatapu	WR
	Sydney-Auckland	NZ
	Auckland-Tongatapu	NZ
	Tongatapu-Honolulu	NZ

UNITED CODE SHARE OPERATIONS'

<u>Partner</u>	<u>Route (non directional)</u>	<u>Operating Carrier</u>
Air Canada	U.S.-Canada; intra-U.S.	UA
	Chicago/Los Angeles/San Francisco/ Washington, D.C.- Mexico City	UA
	Los Angeles-Auckland	UA
	U.S.-Canada; intra-Canada	AC
	Vancouver-Taipei	AC
ALM	Atlanta-Curacao/Aruba	LM
	Atlanta-Curacao/Bonaire	LM
	San Juan-Curacao	LM
	Miami-Puerto Plata/Santo Domingo/Caracas/Curacao- Curacao/Bonaire	LM
	Curacao/Bonaire-Aruba/Port-au-Prince- Miami	LM
ANA	U.S.-Japan (nonstop or via an intermediate point or points in third countries); intra U.S. ; points beyond Japan or U.S.	UA
	U.S.-Japan (nonstop or via an intermediate point or points in third countries); intra Japan ; points beyond Japan or U.S.	NH
Ansett Australia	Melbourne-Adelaide/Canberra/ Gold Coast (Coolangatta)/ Hobart/Perth/Sydney	AN

¹ This exhibit identifies the foreign carriers with which United has been authorized by the Department to code share. In the case of blanket statements of authorization granted pursuant to liberal bilateral aviation agreements, individual city-pair markets are not detailed. Implementation of some services may be awaiting foreign government approval.

	Sydney-Adelaide/Brisbane/ Cairns/Canberra/Gold Coast (Coolangatta)/Melbourne/Perth	AN
Ansett International	Sydney-Los Angeles/San Francisco	UA
	Melbourne-Los Angeles (nonstop and via Auckland)	UA
	Los Angeles/San Francisco-Atlanta/ Boston/Chicago/Dallas/Fort Worth/Las Vegas/Miami/New York/Portland, OR/San Diego/Seattle/Washington, D.C	UA
Ansett New Zealand	Auckland-Christchurch/Wellington	ZQ
British Midland	London-Manchester/Nice/Glasgow/ Amsterdam/Brussels/Edinburgh/Belfast/ Leeds Bradford/Teesside/Zurich/ Frankfurt	BD
	Brussels-Birmingham/East Midlands	BD
Cayman Airways	Cayman Islands-Miami/Houston/Tampa/ Atlanta/Orlando	KX
Emirates	London-Dubai	EK
Kendall	Sydney-Canberra	KD
	Melbourne-Canberra/Hobart	KD
Lufthansa	U.S.-Germany (nonstop or via an intermediate point or points in third countries); intra-U.S. ; points beyond Germany or U.S.	UA
	Chicago/Washington, D.C.- Mexico City	UA
	U.S.-Germany (nonstop or via an intermediate point or points in third countries); intra-Germany ; points beyond Germany or U.S.	LH
Mexicana	Intra-U.S.	UA
	Chicago-Toronto	UA

	Chicago/Los Angeles/San Francisco/ Washington, D.C. -Mexico City	UA
	Mexico City-San Jose, Costa Rica	UA
	Intra-Mexico	MX
	Cancun-Los Angeles	MX
	Mazatlan/Puerto Vallarta-Denver	MX
	Guadalajara-Chicago/San Jose, CA/ San Francisco	MX
	Mexico City-Los Angeles/Miami/ Chicago/San Francisco	MX
	Mexico City-San Jose, Costa Rica	MX
SAS	U.S.-Denmark, Norway and Sweden ("Scandinavia") (nonstop or via an intermediate point or points in third countries); intra-U.S. ; points beyond Scandinavia or U.S.	UA
	U.S.-Scandinavia (nonstop or via an intermediate point or points in third countries); intra-Scandinavia ; points beyond Scandinavia or U.S.	SK
Saudia	Los Angeles-New York	UA
	New York-Dhahran/Jeddah/Riyadh	SV
Spanair	Washington-Madrid-Barcelona/Malaga/ Palma De Mallorca	JK
	Washington-Los Angeles/San Francisco/ Boston/Miami/Orlando/New York/ San Diego/Seattle/Atlanta/Chicago/ Philadelphia/New Orleans/Houston/ Dallas/Fort Worth	UA
Thai Airways	Hong Kong-Bangkok	TG
	Taipei-Bangkok	TG
	Tokyo-Phuket	TG
	Los Angeles-Chicago/Denver/Las Vegas/ New York/Newark/San Francisco/Seattle	UA
	Taipei-San Francisco	UA

	Paris-Washington	UA
Tranportes Aeromar	San Antonio-San Luis Potosi	VW
	Mexico City-Colima/Ciudad Victoria/ Uruapan/Morelia/Poza Rica/Queretaro/ San Luis Potosi	VW
Varig	New York/Chicago-Sao Paulo	UA
	Miami-Sao Paulo/Rio de Janeiro	UA
	Miami-Orlando/Denver/Chicago/ Washington, DC/Newark/Los Angeles/ San Francisco/Atlanta/New York/ Tampa	UA
	Los Angeles-Honolulu/Las Vegas/ Portland/Phoenix/San Diego/Seattle/ San Francisco/Tucson	UA
	Chicago-Detroit/Houston/San Juan/ Boston/Cleveland/Pittsburgh/St. Louis/ Salt Lake City/Cincinnati	UA
	Sao Paulo-New York/Los Angeles/ Miami	RG
	Rio de Janeiro-New York/Miami	RG
	Belem/Fortaleza/Manaus/Recife-Miami	RG
	Belo Horizonte-New York	RG
	Sao Paulo-Atlanta/Washington, D.C.	RG
	Sao Paulo/Rio de Janeiro-Boston	RG
	Sao Paulo-Belem/Belo Horizonte/Rio de Janeiro/Manaus/Porto Alegre/Salvador/ Brasilia/Recife/Curitiba/Fortaleza/ Florianopolis/Iguacu/Natal/Cuiaba/ Campo Grande/Sao Luiz/Joao Pessoa/ Maceio	RG
	Manaus-Belem	RG
	Fortaleza-Recife	RG
	Porto Alegre-Rio de Janeiro	RG

NZ W99 SCHEDULES
Typical Week 17-23 Jan 00
W99 Sch. - Jan 00

Flight #	A/c	Frequency	From	To	Config.
<u>Pacific/Atlantic</u>					
NZ	1 744	1234567	17-Jan-00	23-Jan-00	LHR 14:30 LAX 17:50 (12/56/324) LAX 19:40 AKL 5:25
NZ	2 744	1_____	17-Jan-00	17-Jan-00	AKL 23:55 LAX 14:55 (12/56/324) LAX 17:25 LHR 12:00
NZ	2 744	__3_567	19-Jan-00	23-Jan-00	AKL 22:00 LAX 13:00 (12/56/324) LAX 14:45 LHR 9:10
NZ	2 744	4_____	20-Jan-00	20-Jan-00	AKL 22:00 LAX 13:00 (12/56/324) LAX 15:40 LHR 10:05
NZ	2 744	.2 -	18-Jan-00	18-Jan-00	AKL 19:25 LAX 10:25 (12/56/324) LAX 12:10 LHR 6:35
NZ	5 744	3	19-Jan-00	19-Jan-00	LAX 10:50 AKL 20:35 (12/56/324)
NZ	5 744	4	20-Jan-00	20-Jan-00	LAX 11:30 AKL 21:15 (12/56/324)
NZ	5 744	_____7	23-Jan-00	23-Jan-00	LAX 12:50 AKL 22:35 (12/56/324)
NZ	6 744	__34__7	19-Jan-00	23-Jan-00	AKL 18:00 LAX 9:00 (12/56/324)
NZ	7 763	1_____	17-Jan-00	17-Jan-00	HNL 0:30 NAN 6:10 (0/24/206) NAN 7:10 AKL 10:10
NZ	6 763	6_____22-	22-Jan-00	22-Jan-00	AKL 10:30 NAN 13:35 (0/24/206) NAN 14:35 HNL 22:00
NZ	9 763	__3_5__	19-Jan-00	21-Jan-00	HNL 0:30 AKL 8:35 (0/24/206)
NZ	10 763	1_3_5__	17-Jan-00	21-Jan-00	AKL 13:30 HNL 23:20 (0/24/206)
NZ	11 763	- 5 -	21-Jan-00	21-Jan-00	HNL 23:50 AKL 7:55 (0/24/206)
NZ	14 744	1234567	17-Jan-00	23-Jan-00	SYD 11:25 LAX 6:15 (12/56/324)
NZ	15 744	1234567	17-Jan-00	23-Jan-00	LAX 20:25 SYD 6:05 (12/56/292)
NZ	16 763	5	21-Jan-00	21-Jan-00	AKL 18:15 PPT 0:20 (0/24/210) PPT 2:55 LAX 13:45 (0/24/206)
NZ	16 763	_____7	23-Jan-00	23-Jan-00	AKL 18:15 RAR 23:00 (0/24/210) RAR 23:59 PPT 1:45 PPT 2:55 LAX 13:45 (0/24/206)

NZ	17	763	- 3 -	19-Jan-00	19-Jan-00	LAX	18:50	PPT	2:05	(0/24/206)
						PPT	3:20	RAR	5:15	
						RAR	6:35	AKL	9:50	
NZ	17	763	_____7	23-Jan-00	23-Jan-00	LAX	18:50	PPT	2:05	(0/24/206)
						PPT	3:05	AKL	7:50	(0/24/210)
NZ	18	744	4	20-Jan-00	20-Jan-00	AKL	19:50	NAN	22:55	(12/56/324)
						NAN	23:59	LAX	13:45	
						LAX	16:25	FRA	12:45	
NZ	18	744	- 5 -	21-Jan-00	21-Jan-00	AKL	19:35	NAN	22:40	(12/56/324)
						NAN	23:45	LAX	13:30	
						LAX	15:30	FRA	11:45	
NZ	19	744	5	21-Jan-00	21-Jan-00	FRA	16:40	LAX	19:25	(12/56/324)
						LAX	21:55	NAN	5:55	
						NAN	7:05	AKL	10:00	
NZ	19	744	6	22-Jan-00	22-Jan-00	FRA	16:40	LAX	19:25	(12/56/324)
						LAX	21:55	NAN	5:55	
						NAN	7:05	AKL	10:00	

Asia Japan

NZ	23	763	__3__6_	19-Jan-00	22-Jan-00	AKL	23:59	SIN	5:40	(0/24/206)
NZ	24	763	__4__7	20-Jan-00	23-Jan-00	SIN	9:55	AKL	1:00	(0/24/206)
NZ	26	763	1234567	17-Jan-00	23-Jan-00	SIN	20:25	CHC	11:25	(0/24/206)
NZ	27	763	1234567	17-Jan-00	23-Jan-00	CHC	13:05	SIN	18:50	(0/24/206)
NZ	31	763	_2____7	18-Jan-00	23-Jan-00	AKL	8:30	NAN	11:35	(0/24/206)
						NAN	12:35	KIX	18:05	
NZ	31	763	- 3 -	19-Jan-00	19-Jan-00	AKL	10:00	KIX	17:30	(0/24/206)
NZ	32	763	- 2 3 -	18-Jan-00	19-Jan-00	KIX	19:25	NAN	8:30	(0/24/206)
						NAN	9:30	AKL	12:30	
NZ	32	763	_____7	23-Jan-00	23-Jan-00	KIX	19:25	CHC	11:00	(0/24/206)
						CHC	12:25	AKL	13:45	
NZ	33	744	__3__7	19-Jan-00	23-Jan-00	AKL	12:15	NRT	19:10	(0/68/324)
NZ	34	744	- 3 -	19-Jan-00	19-Jan-00	NRT	20:55	AKL	11:20	(0/68/324)
NZ	34	744	6_____22-	22-Jan-00	22-Jan-00	NRT	20:55	CHC	11:55	(0/68/324)
						CHC	13:10	AKL	14:30	
NZ	35	763	1__4____	17-Jan-00	20-Jan-00	AKL	8:30	NAN	11:35	(0/18/212)

						NAN	12:40	NGO	18:10	
NZ	35	763	_____6_	22-Jan-00	22-Jan-00	CHC	6:10	AKL	7:30	(0/24/210)
						AKL	8:30	NAN	11:35	
						NAN	12:40	NGO	18:10	
NZ	36	763	1_____	17-Jan-00	17-Jan-00	NGO	19:25	NAN	8:25	(0/18/212)
						NAN	9:30	CHC	13:30	
						CHC	14:40	AKL	16:00	
NZ	36	763	20-Jan-00		22-Jan-00	NGO	19:25	NAN	8:25	(0/18/212)
						NAN	9:30	AKL	12:30	
NZ	38	763	.2 -	18-Jan-00	18-Jan-00	TPE	19:50	AKL	12:00	(0/24/206)
NZ	38	763	- 4 - 6 -	20-Jan-00	22-Jan-00	TPE	20:00	AKL	12:10	(0/24/206)
NZ	38	763	_____7	23-Jan-00	23-Jan-00	TPE	23:45	AKL	15:55	(0/24/206)
NZ	39	763	18-Jan-00		18-Jan-00	AKL	11:45	TPE	18:15	(0/24/206)
NZ	39	763	20-Jan-00		20-Jan-00	AKL	12:10	TPE	18:40	(0/24/206)
NZ	39	763	_____6_	22-Jan-00	22-Jan-00	AKL	11:45	TPE	18:15	(0/24/206)
NZ	39	763	_____7	23-Jan-00	23-Jan-00	AKL	16:00	TPE	22:30	(0/24/206)
Pacific										
NZ	40	763	- 5 -	21-Jan-00	21-Jan-00	AKL	18:00	RAR	22:45	(0/24/210)
						RAR	00:01 +1	NAN	2:40	
NZ	41	763	_____6_	22-Jan-00	22-Jan-00	NAN	3:40	RAR	7:50	(0/24/210)
						RAR	9:05	AKL	12:20	
NZ	45	763	- 5 -	21-Jan-00	21-Jan-00	LAX	20:55	PPT	4:00	(0/24/206)
						PPT	5:00	RAR	6:55	
						RAR	8:40	NAN	11:20	
						NAN	13:20	AKL	16:20	
NZ	46	763	- 3 -	19-Jan-00	19-Jan-00	AKL	13:40	NAN	16:45	(0/24/206)
						NAN	18:00	RAR	22:10	
						RAR	23:25	PPT	1:10	
						PPT	2:40	LAX	13:30	(0/24/210)
NZ	47	733	3	19-Jan-00	19-Jan-00	RAR	12:45	AKL	17:00	(0/12/102)
NZ	48	763	1_____	17-Jan-00	17-Jan-00	AKL	18:15	RAR	23:00	(0/24/206)
NZ	48	733	4	20-Jan-00	20-Jan-00	AKL	6:00	RAR	11:30	(0/12/102)
NZ	49	763	1_____	17-Jan-00	17-Jan-00	RAR	1:45	AKL	5:00	(0/24/206)

NZ	50	763	_____6_	22-Jan-00	22-Jan-00	AKL	13:40	NAN	16:45	(0/24/206)
						NAN	17:50	HNL	1:15	
						HNL	2:45	LAX	10:10	(0/24/210)
NZ	51	763	- 4 -	20-Jan-00	20-Jan-00	LAX	18:55	HNL	22:55	(0/24/210)
						HNL	01:30 +1	NAN	7:10	(0/24/206)
						NAN	9:15	AKL	12:15	
NZ	53	763	-2 -	18-Jan-00	18-Jan-00	LAX	18:50	HNL	22:50	(0/24/210)
						HNL	00:15 +1	RAR	6:30	(0/24/206)
						RAR	7:40	AKL	10:55	
NZ	54	763	-2 -	18-Jan-00	18-Jan-00	AKL	13:50	RAR	18:35	(0/24/206)
						RAR	19:45	HNL	1:50	
						HNL	3:35	LAX	11:00	(0/24/210)
NZ	56	763	1_____	17-Jan-00	17-Jan-00	AKL	18:00	APW	21:55	(0/24/206)
						APW	23:10	HNL	5:35	
						HNL	7:00	LAX	14:25	(0/24/210)
NZ	57	763	1_____	17-Jan-00	17-Jan-00	LAX	18:55	HNL	22:55	(0/24/210)
						HNL	01:50 +1	APW	6:25	(0/24/206)
						APW	8:30	AKL	12:30	
NZ	58	763	- 4 -	20-Jan-00	20-Jan-00	AKL	18:15	TBU	22:05	(0/24/206)
						TBU	23:10	HNL	5:35	
						HNL	6:50	LAX	14:15	(0/24/210)
NZ	59	763	_____6_	22-Jan-00	22-Jan-00	LAX	21:10	HNL	1:10	(0/24/210)
						HNL	2:40	TBU	9:15	(0/24/206)
						TBU	10:25	AKL	12:20	
NZ	60	763	6	22-Jan-00	22-Jan-00	AKL	21:15	APW	1:10	(0/24/206)
NZ	61	763	_____6_	22-Jan-00	22-Jan-00	APW	2:25	AKL	6:25	(0/24/206)
NZ	62	733	2	18-Jan-00	18-Jan-00	AKL	8:45	NOU	9:55	(0/12/102)
NZ	62	763	_____6_	22-Jan-00	22-Jan-00	AKL	13:30	NOU	14:25	(0/24/210)
NZ	65	733	-2 -	18-Jan-00	18-Jan-00	NOU	11:10	AKL	16:05	(0/12/102)
NZ	65	763	6	22-Jan-00	22-Jan-00	NOU	15:30	AKL	20:10	(0/24/210)
NZ	68	763	2	18-Jan-00	18-Jan-00	AKL	18:00	PPT	0:05	(0/18/212)
NZ	69	763	-2 -	18-Jan-00	18-Jan-00	PPT	1:15	AKL	6:00	(0/18/212)
NZ	70	733	_____7	23-Jan-00	23-Jan-00	AKL	7:35	APW	11:45	(0/12/102)
NZ	71	733	_____6_	22-Jan-00	22-Jan-00	APW	12:45	AKL	17:00	(0/12/102)

NZ	78	763	_2_45_7	18-Jan-00	23-Jan-00	HKG	19:25	AKL	11:30	(0/24/206)
NZ	79	763	_2_4__7	18-Jan-00	23-Jan-00	AKL	9:20	HKG	15:50	(0/24/206)
NZ	79	763	- 5 -	21-Jan-00	21-Jan-00	AKL	11:15	HKG	17:45	(0/24/206)
NZ	90	744	12_____	17-Jan-00	18-Jan-00	NRT CHC	20:55 13:10	CHC AKL	11:55 14:30	(0/68/324)
NZ	90	744	_____7	23-Jan-00	23-Jan-00	NRT	20:55	AKL	11:20	(0/68/324)
NZ	97	763	1__5__	17-Jan-00	21-Jan-00	AKL	9:30	KIX	16:55	(0/24/206)
NZ	97	763	4	20-Jan-00	20-Jan-00	AKL	10:00	KIX	17:25	(0/24/206)
NZ	97	763	_____6_	22-Jan-00	22-Jan-00	AKL	8:30	KIX	15:55	(0/24/206)
NZ	98	763	1_____	17-Jan-00	17-Jan-00	KIX CHC	18:20 11:10	CHC AKL	9:55 12:30	(0/24/206)
NZ	98	763	- 4 -	20-Jan-00	20-Jan-00	KIX	21:00	AKL	12:00	(0/24/206)
NZ	98	763	5	21-Jan-00	21-Jan-00	KIX	19:25	AKL	10:25	(0/24/206)
NZ	98	763	6	22-Jan-00	22-Jan-00	KIX CHC	18:20 11:00	CHC AKL	9:55 12:20	(0/24/206)
NZ	99	744	12___6_6	17-Jan-00	22-Jan-00	AKL	12:15	NRT	19:10	(0/68/324)

Tasman

NZ	100	767	123456_	17-Jan-00	22-Jan-00	SYD	7:25	AKL	12:25	(0/24/176)
NZ	101	767	1_34567	17-Jan-00	23-Jan-00	AKL	7:00	SYD	8:30	(0/24/171)
NZ	101	763	2	18-Jan-00	18-Jan-00	AKL	7:00	SYD	8:30	(0/24/210)
NZ	102	767	1_34567	17-Jan-00	23-Jan-00	SYD	9:45	AKL	14:45	(0/24/171)
NZ	102	763	2	18-Jan-00	18-Jan-00	SYD	9:45	AKL	14:45	(0/24/210)
NZ	103	763	1__4__	17-Jan-00	20-Jan-00	AKL	9:00	SYD	10:30	(0/24/210)
NZ	103	767	_23_5_7	18-Jan-00	23-Jan-00	AKL	9:00	SYD	10:30	(0/24/176)
NZ	103	767	6	22-Jan-00	22-Jan-00	AKL	9:00	SYD	10:30	(0/24/176)
NZ	104	763	1__4__	17-Jan-00	20-Jan-00	SYD	12:00	AKL	17:00	(0/24/210)
NZ	104	767	_23_5_7	18-Jan-00	23-Jan-00	SYD	12:00	AKL	17:00	(0/24/176)
NZ	104	767	_____6_	22-Jan-00	22-Jan-00	SYD	12:00	AKL	17:00	(0/24/176)

NZ	105	763	1__4_6_	17-Jan-00	22-Jan-00	AKL	14:00	SYD	15:30	(0/24/210)
NZ	105	767	_23_5__	18-Jan-00	21-Jan-00	AKL	14:00	SYD	15:30	(0/24/176)
NZ	105	763	_____7	23-Jan-00	23-Jan-00	AKL	14:00	SYD	15:30	(0/18/216)
NZ	106	763	1__4_6_	17-Jan-00	22-Jan-00	SYD	18:00	AKL	23:00	(0/24/210)
NZ	106	767	_23_5__	18-Jan-00	21-Jan-00	SYD	18:00	AKL	23:00	(0/24/176)
NZ	106	763	_____7	23-Jan-00	23-Jan-00	SYD	18:00	AKL	23:00	(0/18/216)
NZ	107	767	12345_7	17-Jan-00	23-Jan-00	AKL	18:00	SYD	19:30	(0/24/176)
NZ	109	744	_ 5 _	21-Jan-00	21-Jan-00	AKL	8:50	CNS	11:00	(0/28/352)
NZ	110	744	_ 5 _	21-Jan-00	21-Jan-00	CNS	13:00	AKL	20:15	(0/28/352)
NZ	113	763	_ 3 _	19-Jan-00	19-Jan-00	AKL	15:00	PER	17:30	(0/24/206)
NZ	113	763	___5_7	21-Jan-00	23-Jan-00	AKL	13:30	PER	16:00	(0/24/206)
NZ	114	763	__3_5_7	19-Jan-00	23-Jan-00	PER	20:00	AKL	7:20	(0/24/210)
NZ	121	744	1234567	17-Jan-00	23-Jan-00	AKL	7:45	MEL	9:50	(12/28/352)
NZ	122	744	1234567	17-Jan-00	23-Jan-00	MEL	11:35	AKL	17:00	(12/28/352)
NZ	123	767	12_4_6_	17-Jan-00	22-Jan-00	AKL	13:30	MEL	15:30	(0/24/176)
NZ	123	763	__3_5__	19-Jan-00	21-Jan-00	AKL	13:30	MEL	15:30	(0/24/210)
NZ	123	767	_____7	23-Jan-00	23-Jan-00	AKL	15:45	MEL	17:45	(0/24/171)
NZ	124	767	12_4_6_	17-Jan-00	22-Jan-00	MEL	17:25	AKL	22:45	(0/24/176)
NZ	124	763	__3_5__	19-Jan-00	21-Jan-00	MEL	17:25	AKL	22:45	(0/24/210)
NZ	124	767	_____7	23-Jan-00	23-Jan-00	MEL	18:45	AKL	23:59	(0/24/171)
NZ	126	733	1234567	17-Jan-00	23-Jan-00	MEL	6:45	AKL	12:30	(0/12/102)
NZ	129	733	1234567	17-Jan-00	23-Jan-00	AKL	18:00	MEL	20:15	(0/12/102)
NZ	131	767	1__4___7	17-Jan-00	23-Jan-00	AKL	6:30	BNE	7:10	(0/24/176)
NZ	131	763	_ 2 _	18-Jan-00	18-Jan-00	AKL	6:30	BNE	7:10	(0/24/210)
NZ	131	733	__3_56_	19-Jan-00	22-Jan-00	AKL	8:25	BNE	9:15	(0/12/102)
NZ	132	767	1__4__7	17-Jan-00	23-Jan-00	BNE	10:30	AKL	16:45	(0/24/176)

NZ	132	763	2	18-Jan-00	18-Jan-00	BNE	10:30	AKL	16:45	(0/24/210)
NZ	132	733	_3_56_	19-Jan-00	22-Jan-00	BNE	10:30	AKL	16:50	(0/12/102)
NZ	133	733	1234_67	17-Jan-00	23-Jan-00	AKL	13:30	BNE	14:20	(0/12/102)
NZ	133	733	5	21-Jan-00	21-Jan-00	AKL	13:30	BNE	14:30	(0/12/102)
NZ	134	733	1234_67	17-Jan-00	23-Jan-00	BNE	15:20	AKL	21:40	(0/12/102)
NZ	134	733	5	21-Jan-00	21-Jan-00	BNE	15:30	AKL	21:35	(0/12/102)
NZ	135	767	1_34_6_	17-Jan-00	22-Jan-00	AKL	16:00	BNE	16:45	(0/24/176)
NZ	135	763	2	18-Jan-00	18-Jan-00	AKL	16:00	BNE	16:45	(0/24/210)
NZ	135	767	5	21-Jan-00	21-Jan-00	AKL	16:00	BNE	16:45	(0/24/176)
NZ	136	767	1_34_6_	17-Jan-00	22-Jan-00	BNE	17:50	AKL	23:55	(0/24/176)
NZ	136	763	2	18-Jan-00	18-Jan-00	BNE	17:50	AKL	23:55	(0/24/210)
NZ	136	767	5	21-Jan-00	21-Jan-00	BNE	17:50	AKL	23:55	(0/24/176)
NZ	137	767	_____7	23-Jan-00	23-Jan-00	AKL	18:00	BNE	18:45	(0/24/176)
NZ	138	767	_____7	23-Jan-00	23-Jan-00	BNE	19:50	AKL	1:55	(0/24/176)
NZ	141	733	1234567	17-Jan-00	23-Jan-00	WLG	6:40	SYD	8:35	(0/12/102)
NZ	142	733	12345_7	17-Jan-00	23-Jan-00	SYD	9:35	WLG	14:55	(0/12/102)
NZ	143	733	12345_7	17-Jan-00	23-Jan-00	WLG	16:15	SYD	17:45	(0/12/102)
NZ	144	733	1234567	17-Jan-00	23-Jan-00	SYD	19:00	WLG	0:15	(0/12/102)
NZ	151	733	1_3____	17-Jan-00	19-Jan-00	WLG	6:30	MEL	8:40	(0/12/102)
NZ	152	733	1_3____	17-Jan-00	19-Jan-00	MEL	9:45	WLG	15:15	(0/12/102)
NZ	153	733	_2_45_7	18-Jan-00	23-Jan-00	WLG	16:00	MEL	18:10	(0/12/102)
NZ	154	733	_2_45_7	18-Jan-00	23-Jan-00	MEL	19:10	WLG	0:40	(0/12/102)
NZ	161	733	_2__5_7	18-Jan-00	23-Jan-00	WLG	6:30	BNE	7:35	(0/12/102)
NZ	161	733	6	22-Jan-00	22-Jan-00	WLG	6:05	BNE	7:10	(0/12/102)
NZ	162	733	_2____7	18-Jan-00	23-Jan-00	BNE	8:40	WLG	15:15	(0/12/102)
NZ	162	733	5	21-Jan-00	21-Jan-00	BNE	8:25	WLG	15:00	(0/12/102)
NZ	162	733	6	22-Jan-00	22-Jan-00	BNE	8:15	WLG	14:50	(0/12/102)

NZ	163	733	1___6_	17-Jan-00	22-Jan-00	WLG	15:55	BNE	17:00	(0/12/102)
NZ	164	733	1___6_	17-Jan-00	22-Jan-00	BNE	18:00	WLG	0:35	(0/12/102)
NZ	181	733	12_4_6_	17-Jan-00	22-Jan-00	CHC	7:00	SYD	8:40	(0/12/102)
NZ	181	767	__3_5_7	19-Jan-00	23-Jan-00	CHC	7:00	SYD	8:40	(0/24/176)
NZ	182	733	12_4_6_	17-Jan-00	22-Jan-00	SYD	9:45	CHC	14:55	(0/12/102)
NZ	182	767	__3_5_7	19-Jan-00	23-Jan-00	SYD	9:45	CHC	14:40	(0/24/176)
NZ	183	767	12_4_6_	17-Jan-00	22-Jan-00	CHC	16:15	SYD	17:55	(0/24/176)
NZ	183	733	__3__7	19-Jan-00	23-Jan-00	CHC	16:15	SYD	17:55	(0/12/102)
NZ	183	733	21-Jan-00		21-Jan-00	CHC	16:15	SYD	18:00	(0/12/102)
NZ	184	767	12_4_6_	17-Jan-00	22-Jan-00	SYD	19:05	CHC	0:05	(0/24/176)
NZ	184	733	__3_5_7	19-Jan-00	23-Jan-00	SYD	19:05	CHC	0:15	(0/12/102)
NZ	191	767	1__4__	17-Jan-00	20-Jan-00	CHC	6:35	MEL	8:25	(0/24/176)
NZ	191	733	- 5 -	21-Jan-00	21-Jan-00	CHC	6:35	MEL	8:35	(0/12/102)
NZ	192	767	1 - 4 -	17-Jan-00	20-Jan-00	MEL	9:45	CHC	15:00	(0/24/176)
NZ	192	733	21-Jan-00	21-Jan-00		MEL	9:45	CHC	15:10	(0/12/102)
NZ	193	733	2 6	18-Jan-00	22-Jan-00	CHC	16:00	MEL	18:00	(0/12/102)
NZ	193	767	__3__7	19-Jan-00	23-Jan-00	CHC	15:45	MEL	17:35	(0/24/176)
NZ	194	733	2 6	18-Jan-00	22-Jan-00	MEL	19:00	CHC	0:25	(0/12/102)
NZ	194	767	__3__7	19-Jan-00	23-Jan-00	MEL	18:50	CHC	0:05	(0/24/176)
NZ	201	767	_2__6_	18-Jan-00	22-Jan-00	CHC	6:35	BNE	7:35	(0/24/176)
NZ	201	733	__3__7	19-Jan-00	23-Jan-00	CHC	6:35	BNE	7:35	(0/12/102)
NZ	202	767	_2__6_	18-Jan-00	22-Jan-00	BNE	8:50	CHC	15:15	(0/24/176)
NZ	202	733	__3__7	19-Jan-00	23-Jan-00	BNE	8:35	CHC	15:10	(0/12/102)
NZ	203	733	1__4__	17-Jan-00	20-Jan-00	CHC	15:55	BNE	16:55	(0/12/102)
NZ	203	767	21-Jan-00		21-Jan-00	CHC	15:55	BNE	16:55	(0/24/176)
NZ	204	733	1__4__	17-Jan-00	20-Jan-00	BNE	18:05	CHC	0:30	(0/12/102)

NZ	204	767	<u>21-Jan-00</u>	21-Jan-00	BNE	18:05	CHC	0:30	(0/24/176)
NZ	214	733	<u>20-Jan-00</u>	20-Jan-00	CHC AKL	6:00 8:35	AKL NLK	7:20 9:00	(0/0/114)
NZ	215	733	<u>20-Jan-00</u>	20-Jan-00	NLK	10:00	AKL	13:10	(0/0/114)
NZ	231	733	<u>6</u> 22-Jan-00	22-Jan-00	ZQN	15:50	SYD	17:05	(0/12/102)
NZ	232	733	<u>6</u> 22-Jan-00	22-Jan-00	SYD	9:35	ZQN	14:35	(0/12/102)
NZ	1005	763	<u>21-Jan-00</u>	21-Jan-00	AKL	23:45	CHC	1:05	(0/24/210)
NZ	1062	744	<u>20-Jan-00</u>	20-Jan-00	AKL	22:10	APW	1:45	(12/56/324)
NZ	1063	744	<u>20-Jan-00</u>	20-Jan-00	APW	3:30	AKL	7:15	(12/56/324)
NZ	6152	733	<u>19-Jan-00</u>	19-Jan-00	WLG	16:35	CHC	17:20	(0/12/102)
NZ	6215	733	<u>20-Jan-00</u>	20-Jan-00	AKL	14:10	WLG	15:10	(0/12/102)
NZ	6951	763	<u>19-Jan-00</u>	19-Jan-00	AKL	2:50	CHC	4:10	(0/24/210)
NZ	6951	763	<u>21-Jan-00</u>	21-Jan-00	AKL	2:50	CHC	4:10	(0/24/210)
NZ	6952	763	<u>19-Jan-00</u>	19-Jan-00	CHC	4:55	AKL	6:15	(0/24/210)
NZ	6952	763	<u>21-Jan-00</u>	21-Jan-00	CHC	4:55	AKL	6:15	(0/24/210)

**Carriers Operating Scheduled International Passenger Service
at United's Domestic Marketing Hubs**

Chicago O'Hare (ORD)

Aer Lingus
Aeroflot
Air Canada
Air France
Air Jamaica
Air India
All Nippon Airways
America[®] Airlines
British Airways
Canadian Airlines
El Al Israel
Iberia
Japan Air Lines
KLM
Korean Air
Kuwait Airways
LOT
MEXICANA
Royal Jordanian
SABENA
SAS
Swissair
TAROM
TAESA
Turkish Airlines
United Airlines
Virgin Atlantic

Denver (DEN)

Air Canada
British Airways
MEXICANA
United Airlines

Los Angeles (LAX)

Aer Lingus
Aero California
Aeroflot
Aeromexico
Air Canada
Air China
Air France
Air Jamaica
Air New Zealand
Air Pacific
Air Tahiti
Alaska Airlines
All Nippon Airways
American Airlines
AOM-Minerve
Asiana Airlines
British Airways
Canadian Airlines
Cathay Pacific
China Airlines
China Easter[®]
China Southern
Delta Air Lines
EVA Airways
Japan Air Lines
KLM
Korean Air
LACSA
LAN - Chile
Malaysian Airline System
MEXICANA
Northwest Airlines
Philippine Airlines
Qantas Airways
Singapore Airlines
Swissair
TACA
Thai Airways
Trans World Airlines
United Airlines
VARIG
Virgin Atlantic

San Francisco (SFO) **Washington Dulles (IAD)**

Aeroflot
Air Canada
Air France
Alaska Airlines
Alitalia
All Nippon Airways
Asiana Airlines
British Airways
Canadian Airlines
Cathay Pacific
China Airlines
China Easter[®]
EVA Airways
Japan Air Lines
KLM
Korean Air
MEXICANA
Northwest Airlines
Philippine Airlines
Singapore Airlines
Swissair
TACA
United Airlines
Virgin Atlantic

Aeroflot
Air Canada
Air France
All Nippon Airways
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British Airways
BWIA International
Northwest Airlines
SABENA
Spanair
Swissair
TACA
United Airlines
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3. All studies, surveys, analyses, and reports, dated or produced since November 1997, that were prepared by or for any officer, director, or individual exercising similar functions, which, in whole or in part, address, evaluate, or analyze the proposed immunized alliance with respect to market shares, competition, competitors, markets, potential for traffic growth, or expansion into geographic markets.
4. All studies, reports, or analyses prepared by or submitted to either or both of the Joint Applicants' senior corporate officers, staff, or directors, or any financial institution since November 1997 regarding the proposed immunized alliance, specifically including, *inter alia*, any studies involving any preferences of air carriers or travelers for use of Auckland, Christchurch, or Wellington International Airports and Brisbane, Cairns, Melbourne, or Sydney Airports, including, but not limited to, any studies assessing or describing or noting any actual or potential economic advantages to either United or Air New Zealand from serving these airports.
5. All documents dated or produced since November 1997 that discuss airline access to Auckland, Christchurch, and Wellington International Airports in New Zealand or Kingsford-Smith Airport in Sydney, Australia, including the ease or difficulty for any airline of improving or increasing service at these airports, procedures or strategies for obtaining slots or facilities at these airports, and other airlines' attempts to obtain slots or facilities.