

AIRWAYS CORPORATION OF NEW ZEALAND

OUT OF CYCLE PRICE RESET FOR THE PERIOD 1 FEBRUARY 2023 TO 30 JUNE 2023

CONSULTATION PAPER

September 2022

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1. Executive Summary

Airways consulted with our customers, stakeholders and the industry on our Price Reset for the period 1 August 2022 to 30 June 2025. The Consultation Document and Response Document can be download from Airways' website [here](#) under the *Previous Consultations* section.

Due to the significant uncertainty forecasting traffic volumes at the time of setting prices, submitters requested Airways review forecasts in six months from the new prices taking effect on 1 August 2022 to take account of known changes to the operating environment. This is to mitigate the risk of significantly over or under forecasting volume impacts.

As indicated in our Response Document, to complete an out of cycle price reset requires a change to our Pricing Framework and Standard Terms & Conditions. In our Response Document we committed to consulting with our customers and stakeholders on an out of cycle price reset to account for volume information at the end of the 2022 calendar year. Due to the notification period required, the updated prices will be effective from 1 February 2023. We will then revert to the Risk-Sharing Mechanism in our Pricing Framework.

Revised versions of the Pricing Framework and Standard Terms and Conditions incorporating these changes are attached and, if accepted, will take effect at the conclusion of the consultation process.

2. Out of Cycle Price Reset for the period 1 February 2023 to 30 June 2023

The Pricing Framework allows Airways to reset prices when the forecast for the following pricing year indicates that revenue will lie outside the range of +/- 2% of the target pricing revenue in years two and three. We therefore propose that Airways follows the same principles for a one-off out of cycle price reset for the period 1 February 2023 to 30 June 2023.

We propose if revenue is forecast outside the range +/- 2% of the target revenue for the period 1 February 2023 to 30 June 2023 Airways will reset prices in accordance with the following process:

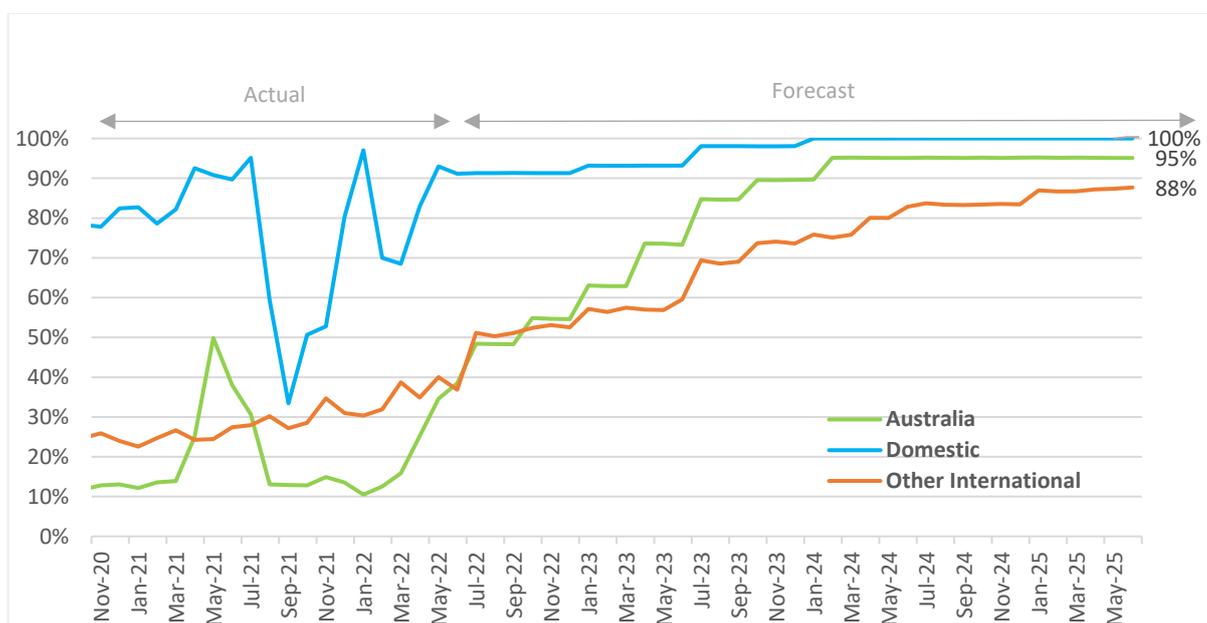
From 21 November	Airways undertakes a traffic volume forecast for the period 1 February to 30 June 2023 based on actuals and known changes to the operating environment.
30 November	Airways shares its forecast with customers and invites them to provide additional information about their schedules for Airways consideration.
7 December	Deadline for additional customer information.
From 8 December	Airways considers additional customer information and revises its financial forecast if necessary
31 December	Airways publishes its final forecast and revised prices, along with any variation to the Airways Standard Terms & Conditions.
1 February	Revised prices take effect.

Revised versions of the Pricing Framework and Standard Terms and Conditions incorporating these changes are attached and unless we receive any feedback will take effect at the conclusion of the consultation process. The proposed amendments simply give effect to the adjustment mechanism requested by submitters and indicated in Airways’ Response Document. Nevertheless, we are interested in stakeholders’ feedback and will take that into account before the amendments are put into effect.

Airways considers that this change could mitigate the risk of significantly over or under forecasting volume impact for this period.

The volume forecast used in our prices is summarised on page 25 of our Response Document and for ease, summarised in the graph below:

Figure 1: Assumed volume forecast used in final prices



3. Guide to providing feedback

If you have any feedback, please let us know by 20 October, 2022. Feedback will be posted on Airways’ website.

All feedback will then be carefully considered by Airways, and will inform its decision on whether to make any changes to the Pricing Framework and Standard Terms and Conditions.

A paper outlining Airways’ decision will then be published by 31 October 2022.

Please send feedback by email to submissions@airways.co.nz.

As feedback will be made available to the public, they should not contain any commercially sensitive or confidential information.